S Hrg 100-797 Pt. 1

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1989

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS UNITED STATES SENATE

ONE HUNDREDTH CONGRESS

SECOND SESSION

ON

H.R. 4783

AN ACT MAKING APPROPRIATIONS FOR THE DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION, AND RELATED AGENCIES, FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 1989, AND FOR OTHER PURPOSES

Part 1—(Pages 1–797)

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Department of Education
Department of Labor
Federal Mediation and Conciliation Service
Federal Mine Safety and Health Review Commission
National Council on the Handicapped
National Labor Relations Board
National Mediation Board
Occupational Safety and Health Review Commission
Physician Payment Review Commission
Prospective Payment Assessment Commission
Railroad Retirement Board
U.S. Institute of Peace
U.S. National Commission on Libraries and Information Science
U.S. Soldiers' and Airmen's Home

Printed for the use of the Committee on Appropriations

U.S. GOVERNMENT PRINTING OFFICE
87-157 WASHINGTON : 1988

For sale by the Superintendent of Documents, Congressional Sales Office
U.S. Government Printing Office, Washington, DC 20402

S181-41

87-157 - 88 - 1

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DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1989

WEDNESDAY, APRIL 13, 1988

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 9:37 a.m., in room SD–124, Dirksen Senate Office Building, Hon. Lawton Chiles (chairman) presiding.

Present: Senators Chiles, Inouye, and Specter.

DEPARTMENT OF LABOR

SECRETARY OF LABOR

STATEMENT OF HON. ANN McLAUGHLIN, SECRETARY OF LABOR

ACCOMPANIED BY:

ROBERTS T. JONES, ACTING ASSISTANT SECRETARY OF LABOR FOR EMPLOYMENT AND TRAINING

THOMAS C. KOMAREK, ASSISTANT SECRETARY FOR ADMINISTRATION AND MANAGEMENT

OPENING REMARKS

Senator CHILES. Today is the first of 23 hearings scheduled by this subcommittee to consider the administration request and hear the views of many private citizens interested in the many programs under the jurisdiction of the Labor, Health and Human Services, Education Appropriations Subcommittee. We are going to start these hearings with Secretary Ann McLaughlin, who will be here to testify on appropriations requests for the Department of Labor.

Mrs. McLaughlin is the President's chief advisor on labor issues and directs a department with over 18,000 employees and a budget of over $6 billion. This will be her first appearance before the subcommittee.

The major budgetary issue appears to be the $948 million request to triple current spending to retrain dislocated workers. Legislation to authorize a similar request last year is still pending in the trade bill.

Despite constraints imposed by the economic summit, overall Labor Department budget requests represent a 12-percent increase for discretionary spending and the worker readjustment assistance program that is now proposed for later transmittal to be included.

Significant increases are also requested by the administration for health and education programs under the jurisdiction of this subcommittee, presenting us with a dilemma. In order to comply with the economic summit, the President's budget proposes offsetting cutbacks and terminates about $1.5 billion in programs serving the poorest of the poor such as homeless, the elderly, welfare mothers, and refugees. While we like the several increases proposed by the administration for labor, health and education, the Congress, I believe, will find the proposed cuts and program terminations unacceptable.

Madam Secretary, without a doubt, our Nation needs to do a better job at training and education so its work force can play a more productive role in our economy. I am pleased to see by your early statements and actions that you are vigorously committed to improving and protecting our human capital, which is both a humane policy and also a good investment.

Your predecessor, Bill Brock, enjoyed a warm relationship with this subcommittee, and I fully expect you to enjoy a similar relationship.

OPENING STATEMENT OF SENATOR WEICKER

Senator Weicker tells us he is not going to be able to attend the hearing this morning. We will include his opening statement in the record and submit his questions to you in writing if you will answer them.

[The statement follows:]

STATEMENT OF SENATOR LOWELL P. WEICKER, JR.

Mr. Chairman, I welcome the opportunity to review the President's fiscal year 1989 budget request for the programs under jurisdiction of this subcommittee. The programs we will be examining in the coming weeks constitute what, in my view, should be the budget priorities of this Nation. These programs provide essential services to the poor, improvements in the quality of life for the elderly and access to all Americans seeking educational opportunities. I must say at the outset, I know these programs and I know how difficult it is to craft a bill that responds to all the program needs. I am particularly concerned this year by the constraints we face as a result of the bipartisian budget summit agreement. The agreement casts in stone the spending and revenue targets for fiscal year 1989 and will make it extremely difficult for this subcommittee to fund all programs at the necessary levels. Furthermore, it will become increasingly difficult, if not impossible, to meet the funding needs of these programs if we continue to enter into budget agreements which bind our hands, and remove revenue and other budget options from the table. Nevertheless, Mr. Chairman, as the ranking member I will continue to work with you to craft a bill which appropriately reflects the priorities of our Nation.

Let me also take this opportunity to welcome Secretary McLaughlin. Madam Secretary, as you know, as a member of the Labor and Human Resources Committee, I supported your nomination and committed to work with you on issues confronting our Nation's labor force. As the ranking member of this subcommittee, I look forward to working with you as the fiscal year 1989 funding bill for the Department of Labor is considered by the Congress.

PREPARED STATEMENTS

Senator CHILES. Senator Inouye is here, and he may have an opening statement this morning.

Madam Secretary, we welcome you very much to the committee. This is your first appearance before us. We are delighted to have you here.

Secretary MCLAUGHLIN. Thank you, Mr. Chairman. It is my pleasure to be here, and I thought if you would like I would give some highlights from my statement and make that available for the record.

Senator CHILES. That would be fine. Your statement in full will be placed in the record.

Secretary MCLAUGHLIN. Thank you.

[The statements follow:]

STATEMENT OF ANN McLAUGHLIN

I am pleased to appear before you today to discuss the resource requests for the Department of Labor for Fiscal 1989. This is my first appearance before your Committee since being confirmed as Secretary of Labor, and I am pleased to be giving you an overview of the general policies and approaches that are contained in this budget request. I will also be providing information, in conjunction with my colleagues, on specific items of interest to you. Joining me at the witness table are Roberts Jones, Acting Assistant Secretary for Employment and Training, Tom Komarek, Assistant Secretary for Administration and Management, and Mary Ann Wyrsch, Director, Office of Budget.

The President has recently sent to Congress Fiscal 1988 Supplemental Requests affecting four Department of Labor accounts. In the Training and Employment Services appropriation, we are seeking a language change that will allow us to use Job Corps funds now currently reserved for construction, rehabilitation, and acquisition activities for center operations. The 1988 amount for operations is insufficient to maintain the present 105 centers and 40,500 training slots.

The second supplemental request is for the Advances to the Unemployment Trust Fund and Other Funds appropriation. Our current projections are that coal tax revenues for the Black Lung Disability Trust Fund (BLDTF) will not be sufficient to cover anticipated obligations for benefits paid from that fund. We require an additional transfer of $54 million to the BLDTF from the Advances account over and above the presently authorized level of $30 million. With this supplemental, the total amount advanced to the BLDTF in Fiscal 1988 will be $84 million. The third and fourth supplemental requests simply reflect the effect of the Advances increase on the income and outlays of the BLDTF, and on the Advances to the Employment Security Administration account, which is the original source of the funds to be transferred to the Advances to the Unemployment Trust Fund and Other Funds account.

Requested new budget authority for the Department for Fiscal 1989 totals $6.09 billion, of which $846 million is proposed for later transmittal. The request for trust fund limitations totals $2.67 billion. As you know, the Bipartisan Budget Agreement contained totals of government-wide discretionary spending in Fiscal 1989. This budget is part of a government-wide package that is in compliance with these totals. This reflects the President's and my commitment to restraining the growth of federal spending and to achieving a balanced budget. At the same time, this budget contains resources to allow us to continue to meet the significant responsibilities that the Department faces.

With respect to legislative initiatives, the budget shows a request to be made later for a new worker readjustment program. This program would provide retraining and readjustment services to dislocated workers. Assuming enactment of this proposal, the budget request for worker readjustment programs would be $980 million, which would include $948 million for the new training program and $32 million in spendout of Trade Act and Redwood benefits.

A second legislative proposal that we will put forward addresses the continued problems of unemployment among disadvantaged youth. The proposal would amend Title II-B of JTPA which authorizes the Summer Youth Employment and Training Program and for which $718 million is requested in 1989. This proposal would allow service delivery areas to provide, in lieu of or in addition to subsidized summer jobs now financed by the current employment program, year-round remedial education and basic literacy and skills training to economically disadvantaged youth.

I will now turn to a summary of some of DOL's FY 1989 budget requests.

For the JTPA for 1989 we are continuing the Block Grant to States program at a level of $1.8 billion, the same as the Fiscal 1988 amount. This will serve an estimated 1.3 million participants, about the same as in 1988. The Job Corps request is for $711 million, which is sufficient to maintain this program at the 40,500 slot level. The request for other nationally administered JTPA programs such as those for Native Americans, and migrants and seasonal farm workers is $193 million.

The request for the Community Service Employment for Older Americans program is $336 million, a slight increase over 1988 and the same level as enacted in 1987.

The budget includes approximately $1.7 billion for unemployment insurance administrative expenses. For the Employment Service, the request is $716 million of which $7.7 million represents an increase for State activities under the Immigration Reform and Control Act (IRCA). The amount included for the forward funded Employment Service allotments to States program is approximately $45 million less than was available in 1988. However, because of increased efficiencies, and, more importantly, the proposed worker readjustment program, employment services to the public are expected to substantially increase during the program year.

With respect to those accounts which provide Departmental staffing for employment and training administration, worker protection, labor and employment standards and statistics, we are proposing a net increase of 73 FTE, from 18,518 in 1988 to 18,591 in 1989. This net increase results from a combination of reductions in certain accounts, and increases in others where there were high priority needs.

For the Employment and Training Administration, our request includes an increase of 27 FTE to meet expected increases in workload under the IRCA.

For the Pension Benefit Guaranty Corporation, we are requesting an increase of 52 FTE to meet the significant workload responsibilities of that agency. We are also asking that you approve an appropriations bill language change relating to the Corporation. This change would allow the Corporation to reflect in the budget, as part of revolving fund expense, monies paid from its trust fund for expenses incurred in connection with the termination of pension plans. These expenses had previously been paid directly from the Corporation's trust fund. Under the proposed language, the trust fund will reimburse its revolving fund for the expenses.

In the Labor-Management Services appropriation, we are seeking $5 million to fund the ongoing operations of the automated data base now under development in support of our responsibilities for the Employee Retirement Income Security Act (ERISA).

For the Employment Standards Administration, our request includes an increase of 23 FTE to implement the agency's enforcement responsibilities under the Immigration Reform and Control Act (IRCA), as well as an additional 20 FTE to enhance labor standards protection for homeworkers.

For the Occupational Safety and Health Administration, we are proposing an increase of 52 FTE for increased enforcement of safety and health responsibilities in the State of California.

For the Mine Safety and Health Administration, we are requesting non-staffing increases of $1.8 million for standards development support and for enhanced ADP systems.

For the Bureau of Labor Statistics, we have proposed an increase of 43 FTE for data revisions in the International Price Program to provide improved data on import and export prices. Another 21 FTE are requested for development of a central list of business establishments, which can be used for the whole government to improve data collection in all series involving multi-establishment organizations.

In the Office of the Inspector General, we have requested 14 additional FTE for the Office of Labor Racketeering and an additional 3 FTE to support the OIG's participation in the projects of the President's Committee on Integrity and Efficiency.

In those areas where we have proposed reductions, they relate to increased efficiencies or to planned program reductions. These will have no negative impact on enforcement or regulation activity.

This concludes my prepared remarks, Mr. Chairman. I would be happy to answer your questions.

STATEMENT OF ROBERTS T. JONES

Mr. Chairman, and Members of the Subcommittee, thank you for this opportunity to appear before you. The budget request which I will be discussing with you is a fiscally and programmatically sound one. The 1989 budget request for training and employment programs totals $3.8 billion and is comprised of $3.4 billion for Training and Employment Services and $336 million for Community Service Employment for Older Americans. The request for State Unemployment Insurance and Employment Service Operations is $2.4 billion. We are requesting $124 million for the Advances to the Trust Fund and Other Funds account, $134 million for the new Worker Readjustment account and $118.9 million for the Program Administration account which covers the fiscal year 1989 staffing and related expenses of the Employment and Training Administration.

Training and Employment Services

Before discussing the FY 1989 Training and Employment Services request, I would like to talk about the 1988 Job Corps supplemental and the new worker readjustment program currently under consideration in Congress as part of the Omnibus Trade Bill.

As stated in our request, the 1988 appropriation for Job Corps does not provide adequate funding to cover the expenses of operating the program at its current level of 40,544 training slots. Supplemental language has been submitted for your consideration to authorize the shifting of up to $30 million from the $89 million currently earmarked for construction, rehabilitation, and acquisition to fully finance estimated 1988 operating expenses and continue the present number of centers and training slots. If this language change is approved, sufficient funds will still be available for needed improvements at existing centers and to relocate two to five existing centers that are now situated in facilities that do not provide an environment or setting that is conducive to effective operations and positive enrollee outcomes. Our position is that it is of greater importance to invest facility resources to correct problems at existing centers than to expand the program.

With regard to dislocated workers, the budget assumes that Congress will pass a new worker readjustment program which will replace the current JTPA Dislocated Worker Assistance Program. Therefore, no funds are requested for the latter program in 1989. However, a legislative proposal will be submitted to authorize the use of 1988 JTPA Title III resources available this July for transition activities related to the implementation of any new worker readjustment program. Upon enactment, funding for this new program will be included in a new Worker Readjustment account, discussed later.

The 1989 request for the JTPA Block Grant of $1.8 billion is the same as the 1988 level. The request will provide services to an estimated 1.3 million participants which is approximately the same level expected to be served in 1988.

The 1989 request for the Summer Program, which would operate during the summer of 1990, is $718 million, the same as the 1988 level. It would finance an estimated 704,200 summer jobs, approximately the same level expected to be served by the 1988 appropriation. In conjunction with this request, legislation will be proposed to amend Title II-B of JTPA to authorize service delivery areas to provide, at their discretion, year-round training for at-risk, economically disadvantaged youth between the ages of 14 and 21, as well as continuation of a subsidized summer jobs program, if they so elect. The mix of services provided under this new authority will be determined by local areas based on their needs and priorities.

The request for Federally administered programs, including the Job Corps, is $903.3 million, a net decrease of $87.1 million below the 1988 level of $990.4 million. Funding for Migrants, Native Americans and Veterans is requested at the statutorily-authorized levels. Funding for the National Commission for Employment Policy and the National Occupational Information Coordinating Committee would return to the traditional levels of $2 million and $3 million respectively. Pilots and Demonstrations decreases $7.3 million returning it to the 1987 level, which was a substantial increase above levels maintained under JTPA in prior years. No separately identified funding is requested for Rural Concentrated Employment Programs or American Samoans because these areas and population segments can be served locally under the JTPA block grant in accordance with JTPA requirements in effect for other areas and populations. Also, no funding is requested for assistance to the homeless, funded at $9.6 million in 1988, but not authorized in 1989. Further, funds are not requested for retraining, job search, and relocation assistance under the Trade Act of 1974, currently funded at $47.9 million in Fiscal Year 1988. The administration believes the new worker readjustment program should replace not only the JTPA Title III program but also the Trade Act with a more comprehensive and more effective program to assist Trade affected and other dislocated workers.

The Job Corps request of $710.6 million will maintain existing Job Corps centers at 40,544 enrollments and continue the substantial investments made annually at facilities for construction and renovation projects. The request includes a program increase for teachers', counselors' and dormitory supervisors' salaries at selected centers to make them competitive with other professionals similarly employed in these areas. The increases are more than offset by decreases relating to the non-recurring relocation costs of centers incurred in 1988, as discussed earlier, and other predicted savings. It is also requested that no statutory earmarking of facility-related funding be made so that administrative flexibility can be retained to resolve problems that may occur from normal adjustments in planning for capital or operating expenses.

Community Service Employment For Older Americans

The request for the Community Service Employment for Older Americans program is $336 million, returning to the same amount made available in 1987. This is $4.7 million more than the 1988 amount and will support activities during the program year beginning July 1, 1989, and will finance 65,700 jobs annually.

State Unemployment Insurance and Employment Service Operations

The 1989 request for State Unemployment Insurance and Employment Service Operations is $2.4 billion. These funds finance State administrative costs of unemployment insurance and employment service activities and with the exception of $21.5 million in general revenue funds are all trust funds.

For unemployment insurance operations we are requesting $1.7 billion, which will support workloads anticipated under the projected insured unemployment rate of 2.2 percent. The basic funding rate for unemployment insurance will finance costs associated with workloads averaging 1.8 million claims per week nationally, down from 2.0 million in 1988, and reflecting the improved economy and lower unemployment workloads that have occurred over the past two years. Administrative costs associated with workloads above the 1.8 million base level would, as usual, be financed from contingency funds.

In addition to net mandatory increases of $14.9 million, we are requesting additional funds of $3.9 million over the revised 1988 level for implementation in all States of the benefits denials component of the Quality Control program. A total of $19.1 million is requested for upgrading State automated systems for benefit payments and collection of taxes, the same amount as was used in 1988. We are also requesting $3 million for the separate financing of amortization payments to four States that had independent retirement plans in their State Employment Service Agencies prior to 1980. This is a decrease of $1.4 million from 1988, and is the amount determined to be needed annually to amortize the Employment Service portion of the unfunded liability of these plans over a thirty year period.

The request for the Employment Service of $715.6 million includes $678.5 million in formula State allotments for Program Year 1989, and $37.1 million for National Activities. The formula State allotments represents a $44.5 million reduction from the 1988 level of operation. However, the Employment Service will benefit from the proposed $948 million worker readjustment program which would provide significant new resources to the States. The $37.1 million for National Activities represents a $20 million reduction from 1988, including an increase of $8.1 million for expected increased workload associated with immigration activity at the State level and a decrease of $28.7 million because of discontinuation of separate financing to perform activities under the Targeted Jobs Tax Credit program due to expire December 31, 1988.

The Department will continue to pursue proposals which increase the latitude for State-level decision making and increase the UI system's ability to respond rapidly to changing economic circumstances. Also, legislative and administrative proposals are being considered, and pilot projects planned, which will strengthen the provision of employment services.

Advances to the Unemployment Trust Fund and Other Funds

A total of $124 million is being requested for this account to provide general revenue advances to the Black Lung Disability Trust Fund. Account balances in the Unemployment Trust Fund are expected to be sufficient for payment of benefits and thus will not require advances.

The Black Lung Disability Trust Fund is administered by the Employment Standards Administration, and they can more fully explain the details of this request.

Worker Readjustment

The Worker Readjustment account replaces the Federal Unemployment Benefits and Allowances account previously used to budget for Trade Act and Redwood program benefits. For 1989, the Worker Readjustment account will contain budget resources for unemployment benefits associated with Trade and Redwood and is estimated at $134 million under current law. Should the pending worker readjustment legislation be enacted, sufficient funds will be added to this new account to provide a total of $980 million for all worker readjustment programs. Under the Administration's legislative proposal, which eliminates TAA, $32 million would be needed in 1989 to cover the costs of assistance to workers already certified under the Trade and Redwood programs.

This new Worker Readjustment account will also contain the amounts for Worker Readjustment programs requested under legislation now pending in Congress. Placing these items together in a single account clarifies programmatic purposes and facilitates budgetary consideration of closely related programs.

Program Administration

The 1989 request for ETA's Federal administrative requirements totals $118.9 million and will support 1,755 full-time equivalent (FTE) positions. This is a net increase of $4.3 million and 60 FTE positions from the 1988 comparable levels of $114.6 million and 1,695 FTE positions and includes an increase of $1.3 million and 27 FTE positions to provide staff and other support for Immigration Reform and Control Act activities.

This concludes my statement, Mr. Chairman. My staff and I will be glad to answer any questions you, or members of the Subcommittee, may have.

STATEMENT OF JOHN R. STEPP, DEPUTY UNDER SECRETARY

Mr. Chairman and Members of the Subcommittee, I appreciate this opportunity to appear before you as the Deputy Under Secretary for Labor-Management Relations and Cooperative Programs to present the budget request for fiscal year 1989.

The fiscal year 1989 request for the Bureau is $5,793,000 and 71 FTEs. The Bureau intends to channel these resources into new and more challenging areas in 1989. In past years, the Bureau cosponsored many national and local conferences and symposiums designed to familiarize participants with the variety and usefulness of cooperative labor relations practices. While we intend to continue these efforts in 1989, we believe long term effective system change can best be achieved by giving organizations the tools to achieve their own cooperative efforts.

To accomplish this, the Bureau, with the assistance of the Federal Mediation and Conciliation Service, has developed two programs for labor and management representatives that introduce basic concepts of change and explain the steps necessary to implement cooperative labor-management initiatives in a specific organization. In 1989, we intend to further refine these programs and to develop other specialized technical assistance programs.

We will develop materials such as texts and manuals for use in business schools and other educational settings, as well as specialized programs for audiences already familiar with basic cooperative techniques or in response to specific workplace conditions.

As an example, the Bureau has launched a substantial effort aimed at changing the general climate and structure of traditional labor and management negotiating relationships. A demonstration project, with Harvard-MIT, is currently developing new tools designed to help parties involved in collective bargaining shift to a less adversarial form of problem solving.

The Bureau will also increasingly shift its focus from manufacturing to the service sector, with specific attention directed to education and transportation. We believe that the successes we have seen in manufacturing as a result of increased cooperation between labor and management can be replicated in the service sector. The education and transportation industries have not received the attention they now merit and we believe that improved labor-management relations in these areas will improve productivity, growth, service quality, and quality of work life in these occupations.

As a result of the success of the Bureau's video documentary "Work Worth Doing," we intend to expand our audio-visual efforts, including plans for producing video case studies suitable for training purposes and a series of public service announcements to increase public awareness that labor-management cooperation is truly a mutually beneficial process.

Following a wider public awareness of the need for cooperation will come an increased demand for substantive source material and exemplary "how to" cases which can be adapted for a range of workplaces. The Bureau will continue to develop and provide the public with such materials in the form of monographs, resource directories, and its bimonthly newsletter, "Labor Relations Today".

Other targeted information activities include expansion of the Bureau's computerized data clearinghouse which contains basic information about cooperative programs operating in the public and private sector. We will aggressively publicize the resources available from the clearinghouse in 1989 to help effect a direct and effective exchange of knowledge and experience among practitioners.

Mr. Chairman, heightened international competition combined with changing technologies, work structures, and work force demographics have created a compelling need to alter the traditional relationship between labor and management. Faced as we are with the globalization of our markets, American management and labor can no longer afford selfishly to attend only to their separate interests.

The challenge for the Bureau in the coming years is to help organizations develop a new relationship based on cooperation, mutuality and common goals and to make organizations which have succeeded the new standard for American enterprises. We have made considerable headway; we have much to do.

Thank you, Mr. Chairman, for the opportunity to make this statement. I will be glad to respond to any questions you may have.

STATEMENT OF SALVATORE R. MARTOCHE, ASSISTANT SECRETARY FOR LABOR-MANAGEMENT STANDARDS

Mr. Chairman and members of the Subcommittee, I appreciate this opportunity to appear before you as Assistant Secretary for Labor-Management Standards to present the budget request for fiscal year 1989.

The Labor-Management Reporting and Disclosure Act of 1959, as amended (LMRDA) was enacted to: provide for the reporting and disclosure of certain financial transactions and administrative practices of labor organizations and employers, prevent abuses in the administration of trusteeships by labor organizations, provide standards with respect to the election of officers of labor organizations and other purposes.

The Office of Labor-Management Standards continues to be strongly committed to eliminating or preventing - as much as is possible - improper or illegal practices by labor organizations and their officers and representatives and combating those serious violations of the LMRDA which interefere with democratic processes within labor organizations.

Our budget request for the coming year totals $25,333,000 and 436 FTE. This dollar request reflects an increase of $983,000 over the current year to cover mandatory increases for pay adjustments and inflation.

In recent years, OLMS has devoted a significant amount of its resources to improving every aspect of the way we do business in order to achieve the maximum results in our efforts to protect the rights of the individual union member.

During the past year, OLMS program accomplishments include 188 criminal indictments for the year, a significant increase over the agency's record high of 157 for fiscal year 1986. In addition, 443 criminal investigations, amounting to an alleged $17 million in embezzled funds, were opened. There were 146 convictions, including Pre-Trial Diversion Agreements. Well over $1 million in embezzled funds were recovered through restitution.

In addition, the election program continued to receive priority attention given the 60-day statutory time frame set forth in the LMRDA for investigating and processing complaints. In this regard, OLMS received 170 election complaints and 15 trusteeship complaints during the past year. Twenty-nine civil actions were filed. Additionally, OLMS supervised 43 union officer elections. The largest supervised election undertaken was the court ordered union officer election and runoff of the 15,000 member United Automobile Workers local in Long Beach, California.

Several new program activities were also begun in fiscal year 1987, including two which are particularly significant. The first involved an evaluation and revision of the financial forms filed by international, national and local union organizations. This is the first material revision of these forms since 1975 and will have a major impact on our operations and on all reporting unions. The revisions are designed to simplify the reports and instructions, ensure that all necessary and relevant financial information is reported, and integrate the reporting forms with new technology.

The second activity involved the revitalization and priority upgrading of the International Compliance Audit Program (I-CAP). An I-CAP training session was held for field investigators scheduled to conduct I-CAP cases. More agency staff resources have been assigned to this highly visible, important program, which not only involves audit/investigative techniques most likely to reveal civil and criminal LMRDA violations, but also affords us an opportunity to provide enhanced compliance assistance to the international unions.

OLMS has initiated many activities designed to promote compliance assistance and liaison in the past year. These initiatives have been very well received and will be continued as part of our permanent program. For example, OLMS field offices will continue to promote compliance assistance and liaison by conducting compliance assistance seminars to work with those unions needing the most assistance. We will also co-sponsor seminars with other enforcement agencies such as PWBA and the NLRB to provide broad, relevant subject matter to the participating unions. OLMS is now publishing a periodic newsletter to the presidents of 200 international unions. The newsletter contains information about OLMS enforcement programs, compliance assistance activities and also includes a detachable sheet of LMRDA compliance tips for distribution to affiliated locals. In addition, OLMS will continue to sponsor a series of meetings with small groups of international and national union officials to discuss OLMS enforcement programs, compliance assistance activities, and other matters of mutual interest. Finally, we are developing a video which will help union officials complete their yearly reporting forms.

Due to its criminal enforcement responsibilities under the LMRDA, it is essential for OLMS to establish and maintain a close, effective working relationship with the U.S. Department of Justice, especially the U.S. Attorneys throughout the country. During the past year, a series of jointly sponsored DOJ/OLMS regional conferences have been held to explain the Department of Labor's enforcement responsibilities and to establish better relationships between DOL enforcement agencies and the U.S. Attorneys. In addition, I have personally corresponded with all ninety-six U.S. Attorneys on several occasions, recommending ways for joint cooperation in the execution of the agency objectives.

In fiscal year 1987, OLMS began planning for the conversion of paper file copies of annual financial reports filed by 46,000 unions as well as constitutions and by-laws of these labor organizations to a microfilm system. While planning continues, the microfilming of annual financial reports required under the LMRDA will make files more secure, enable faster retrieval and save considerable space for the agency. Microfilm will revolutionize OLMS reports processing and have a major impact on all related functions.

During the past year, OLMS purchased computer equipment for the national office and additional personal computers were ordered for our field offices, including lap-top computers to provide computer support for on-site audits and investigations. In conjunction with these procurements, OLMS provided comprehensive in-house computer technology training for both our field and national office personnel.

In addition, OLMS personnel continued to receive extensive program-related curriculum training as part of our policy to improve the quality of audits and civil and criminal investigations. As a resource to OLMS training and staff development, OLMS has established a Learning Library which offers a wide selection of books and audio/visual tapes that directly relate to the agency's functions such as investigative skills, auditing, computers, clerical skills, unions and management training. In FY 1988, emphasis will be given to securing additional existing material, and to producing material covering specific aspects of OLMS program activities.

In FY 1988, OLMS will continue to refine and enhance all the programs mentioned above. We will continue to implement, as needed, improvements to the Compliance Audit Program (CAP) and International Compliance Audit Program (I-CAP) and develop new targeting techniques to strengthen enforcement posture and capabilities. We will continue to develop new investigative/audit approaches, including one aimed primarily at union membership card selling and other criminal violations occurring at large construction projects. We will carry on the refinement of our new delinquent reports program to reduce the unacceptable rate of delinquent labor organization annual financial reports. OLMS will expand its compliance assistance activities by providing information to union members through the use of posters, the media and the development of new publications. We will enlarge our investigator training program and provide computer fraud training, training in related statutes, and other advanced investigative topics. In addition, we will continue to develop computer applications for targeting purposes, program integration, operational/managerial improvements to increase productivity, and for refinements to the delinquent/deficient reports program.

In FY 1989, OLMS will emphasize a strong, well-balanced enforcement program involving both civil and criminal investigations. Election program activity will continue to receive priority attention and improvements to our investigative/audit approaches will be explored and implemented, as necessary. The number of international union audits conducted will be extended and thereby provide enhanced compliance assistance to the international unions. A comprehensive on-site inspection and review program designed to oversee all programmatic and administrative activity throughout the agency will be implemented. Additional opportunities for joint activities and investigations with other law enforcement agencies will continue to be explored. OLMS will also continue to further educate labor officials and members of their statutory obligations and rights under the LMRDA. Finally, plans to augment the comprehensive in-house training program will be developed to provide computer fraud training to OLMS investigators and enhance our management development program.

Mr. Chairman, I thank you for the opportunity to present our program accomplishments and initiatives to the Subcommittee and I will be glad to respond to any questions you may have.

STATEMENT OF DAVID M. WALKER, ASSISTANT SECRETARY, PENSION AND WELFARE BENEFITS ADMINISTRATION

The year 1987 was one of significant accomplishment for the Pension and Welfare Benefits Administration (PWBA). For example, PWBA was integrally involved in the Administration's efforts to achieve comprehensive reform legislation which resulted in the Congress' passing the Pension Protection Act of 1987 as part of the fiscal 1987 Budget Reconciliation process. This bill will serve to significantly enhance the benefit security of American workers and retirees and the long-term financial integrity of the Pension Benefit Guaranty Corporation (PBGC).

The agency also made significant progress in strengthening ERISA regulatory and enforcement programs, developing a program for review and audit of the Federal Thrift Savings Plan created under the Federal Employees' Retirement System Act of 1986 (FERS), and in the initial design of an enhanced ERISA automated information system. The ERISA information system initiative, which is a Presidential priority system, will, when implemented, serve to significantly enhance the efficiency and effectiveness of our ERISA enforcement program. It will also provide valuable information to PWBA for policy development, research and regulatory analysis.

During the balance of 1988, we expect to achieve a number of other important objectives. Our policy efforts will concentrate on health, corporate governance, ESOPs, reporting and disclosure, and various Workforce 2000 related issues (e.g., coverage, portability, preservation, child care, plan design). We plan to complete a number of important regulatory projects dealing with such issues as adequate consideration under ERISA, participant directed individual account plans, participant loan programs, employee contributions, and civil sanctions for certain welfare benefit and reporting and disclosure violations. Our operational initiatives will relate primarily to the areas of ERISA enforcement, the ERISA Information System, and FERS oversight.

During fiscal 1988 and beyond, PWBA will continue to provide leadership on important and emerging pension and employee benefit policy issues. Of particular note are the many important challenges which must be met in the health benefits area. We will also conduct relevant research and policy analysis in a number of important pension, health and other employee benefit areas, including several projects designed to support the Secretary's Workforce 2000 initiative.

Our major operational goals in fiscal 1989 include implementation of an enhanced ERISA information system, conducting a critical evaluation of our ERISA enforcement strategy results, the

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development and implementation of a series of standardized auditing methodologies, and the implementation of an audit program to review fiduciary conduct relative to the Federal Thrift Savings Plan.

Our fiscal 1989 budget request of $41.9 million and 511 FTEs reflects our estimate of the resources required to protect the pensions of American workers and retirees. This is $4.5 million less than enacted in fiscal 1988, but the reduction is due entirely to the expected completion of develpmental work on the ERISA Information System. At the level requested for fiscal 1989, PWBA will be able to accomplish major goals, meet statutorily imposed deadlines for regulations, and respond to the many emerging issues which are coincident with the expanding importance of pension and other privately funded employee benefits to American workers, retirees, and our economy.

Mr. Chairman, this concludes my overview remarks. I would be pleased to respond to any questions that you or the subcommittee may have.

STATEMENT OF DR. KATHLEEN P. UTGOFF, EXECUTIVE DIRECTOR, PENSION BENEFIT GUARANTY CORPORATION

I am pleased to appear before you today to present the Fiscal Year 1989 budget for the Pension Benefit Guaranty Corporation (PBGC).

Much has changed since the last time I was before the committee. In January 1987 the PBGC assumed over $2 billion in pension liabilities from LTV and was on the brink of insolvency. The LTV case, and several large cases that preceded it, threatened the ability of the pension insurance program to protect the retirement incomes of 38 million Americans.

Since then, the Administration and Congress have worked together to secure passage of the Pension Protection Act of 1987 which includes the most fundamental reforms to the pension insurance program since its inception. Over time these reforms should help restore stability to the defined benefit retirement system. In addition, six months ago the PBGC took the unprecedented action of restoring three of LTV's terminated pension plans. The effect of these events has been to cut our deficit and our estimated annual obligations by more than half. I will discuss the new legislation, the LTV case, and our budget and financial picture in more detail shortly.

Still, uncertainty and challenges face the PBGC. Whether the new premium will keep the PBGC solvent and amortize our deficit is dependent on the outcome of the LTV case and whether the PBGC experiences future catastrophic claims before the Pension Protection Act has an opportunity to stabilize the insurance system.

Although the future of PBGC is brighter, the tremendous continued growth of the insurance program, even absent LTV, strains our ability to efficiently deliver the services for which the PBGC was created. In the past several years our benefits administration workload has doubled while our resources have remained constant. I will later discuss in detail our increased workload and highlight the budget initiatives that I am proposing to deal with the problem.

PENSION PROTECTION ACT OF 1987

The Pension Protection Act (PPA), included in the 1987 budget reconciliation bill, culminated a long bipartisan effort by the Administration and the Congress. The Act puts the PBGC on sound financial footing, creates positive incentives for pension plan funding, and sends a strong signal to employers that abuses of the pension insurance system will not be tolerated. Although the Act includes many dramatic reforms, it is targeted towards the small percentage of plans which pose the greatest threat to the pension insurance system.

At this time last year, the insurance system suffered from three fundamental flaws. First, the PBGC's insurance premium did not generate enough receipts to cover the cost of its expected claims. The premium structure was flawed because employers were charged the same amount regardless of whether the pension plan being insured was well funded or poorly funded. Second, there were loopholes in the pension funding requirements that allowed companies to systematically underfund pensions. Third, pension promises were not protected when companies filed for bankruptcy. Under the old law employers had strong incentives to file for Chapter 11 in order to dump pension promises. The new law addresses each of these problems.

Variable Rate Premium

The Act establishes a Variable Rate Premium for single-employer plans under which plans pay premiums based on how well funded they are. The new premium has a flat per capita charge of $16 per participant (up from $8.50) with an additional variable charge of $6 per $1,000 of plan underfunding. The total charge is capped at $50 per participant. About 5 percent of plans will pay the maximum premium of $50 per participant. Most plans will pay the minimum $16 amount and we estimate that the average premium paid will be $20. The variable rate premium will provide incentives to plan sponsors to improve pension funding and will distribute the costs of the insurance program more equitably.

Improved Pension Funding Requirements

The Act changes minimum funding standards for the plans which pose the greatest threat to PBGC and will put them on a steady path to better, more secure funding. These changes are targeted at poorly funded plans with large past service liabilities and mature work forces. This targeting of the new standards means that no more than 2 to 3 percent of all defined benefit plans will be subject to the accelerated funding of benefit liabilities. We anticipate that even the most poorly funded plans will be adequately funded over the next 15 to 20 years.

Protections for Pensions During Bankruptcy

The Act improves the treatment of pensions in bankruptcy proceedings so that workers' pensions are treated more fairly as part of the companies' reorganization instead of being dropped first. The Chapter 11 standard for terminating a pension plan with unfunded liabilities has been clarified. The bankruptcy court must now find that debts cannot be dealt with in a reorganization plan and liquidation would follow if the pension plan were not terminated. This will reduce the incentives for companies to use bankruptcy reorganization to dump their pension obligations.

The Act also includes a number of provisions which will improve PBGC's recoveries during bankruptcy. Employers' unpaid contributions to pension plans will now be treated as a tax claim, which has a priority status in bankruptcy proceedings.

In addition, employers will now be held liable for 100 percent of plan underfunding, up from as low as 75 percent.

150 Percent Full Funding Limit

The reconciliation bill contained one very important change that was not part of the Pension Protection Act. In order to meet revenue targets the reconciliation bill established additional limits on the tax deductibility of employer pension contributions. Employer contributions will now be subject to a limitation of 150 percent of current liability. Current liability is to be measured using an interest rate that can significantly limit contributions. Of particular concern is whether the new limits on deductibility will increase PBGC's exposure.

Another concern is the effect of these limits on employer's willingness to adopt defined benefit pension plans. The law requires the Treasury Department to study how the limit affects benefit security. PBGC anticipates working on the study.

LTV LITIGATION

The PBGC terminated three of LTV's steel pension plans in January 1987, because LTV failed to make required minimum funding contributions and informed the PBGC that it would not make contributions then or in the future. However, in August 1987 LTV Steel and the United Steelworkers of America (USWA) reached an agreement on a labor contract that included new pension arrangements that, together with PBGC's guaranteed benefit payments, provided substantially the same benefits as the terminated plans. The PBGC objected to these "follow-on" arrangements because the government insurance program was used to subsidize the continuation of terminated pension plans.

LTV sought and obtained bankruptcy court approval to fund these new "follow-on" plans. At that time, it was clear that LTV Steel had greatly increased its profitability, reporting $162 million in net income through the second quarter of 1987. Ultimately, LTV Steel reported $375 million in operating profits for 1987.

Therefore, on September 22, 1987 I notified LTV that the PBGC had restored to LTV responsibility for the pension plans terminated in January. I based this action on LTV Steel's abuse of the insurance system through its "follow-on" pension arrangements, its changed financial circumstances, and its demonstrated willingness to fund employee benefit programs.

LTV has challenged the restoration of the pension plans. The matter is in litigation in the U.S. District Court in New York. Oral arguments were held in the district court on March 4, 1988, but no decision has been made.

FISCAL YEAR 1989 BUDGET AND FINANCIAL PICTURE

A brief comparison of key numbers will highlight the effect that the Pension Protection Act and the LTV restoration have had on our financial picture. In Fiscal Year 1987 PBGC collected $284 million of premium income; in FY 1989 we expect $680 million.

Last year we projected FY 1989 obligations of $906.4 million; now we are projecting obligations of $474 million. Our deficit has been reduced from almost 4 billion to less than 2 billion. Last year we expected that in FY 1989 we would be responsible for about 490,000 participants; now we estimate 310,000.

Impact of the Premium Increase

The PBGC will receive $680 million in premium income in FY 1989, a $400 million increase above FY 1987 levels. This should allow us to make all anticipated benefit payments and slowly amortize our deficit in the absence of any large claims. Let me emphasize that the PBGC's solvency and deficit remain highly sensitive to future claims experience. If future claims reflect an average based on our 13 years of claims experience the deficit could be amortized within 10 years. If claims reflect an average based on more recent experience the deficit could grow.

Impact of the LTV Restoration

While the restoration action was not taken in order to reduce our deficit, the restoration substantially changes the PBGC's budget picture. In last years' budget, the three restored LTV plans accounted for $2.1 billion in unfunded liabilities and $350 million in annual pension obligations. The drop in our deficit is due almost exclusively to the restoration of the LTV Steel plans. Whether this improvement is maintained is dependent on both the outcome of the court case and other subsequent claims experience.

FY 1989 Budget Initiatives

The PBGC's major budget proposal would fund an additional 52 FTE's to improve service to beneficiaries of pension plans taken over by the PBGC, to eliminate the backlog of cases in the benefits administration area and to identify plans that have fallen behind in their premium payments.

The bulk of the requested FTE's (40) would go to the benefits administration area. The workload in this area has grown from 55,400 participants in pay status in 1983 to a projected 133,477 in 1989 while the PBGC's staffing has remained constant during the same period. We expect this growth in the PBGC's workload to continue. Over half of these participants are being paid benefits on an estimated basis because we have not had the resources to put participants into final pay status. This can cause problems for retirees because if PBGC has overestimated benefits we are required by law to reduce their benefits in order to recoup overpayments.

In addition, we are seeking small staff increases for legal services, improved premium collection, and redesign of our premium processing system.

We have also proposed a change in our appropriations language to improve financial control and oversight of the administrative expenses the agency incurs when taking over terminated pension plans.

CONCLUSION

Today the PBGC rests on much firmer ground than it did just one year ago. We not only have the premium revenues that should keep the PBGC solvent but the underlying rules governing defined benefit pension plans have been strengthened. The most obvious incentives and loopholes that encourage systematic pension underfunding and the dumping of pension promises under the guise of corporate reorganization have been addressed. This is no accident, it was accomplished through hard work by the Administration and Congress. However, it would be a mistake to think that the problems of the PBGC are gone and will never reappear. It will take time before the new law is fully implemented and change occurs, and we know only too well that one catastrophic claim can push the PBGC back to the brink of insolvency.

Thank you Mr. Chairman for the opportunity to testify today. I will be happy to answer any questions that you may have.

STATEMENT OF FRED W. ALVAREZ, ASSISTANT SECRETARY FOR EMPLOYMENT STANDARDS

Mr. Chairman and Members of the Subcommittee, I am pleased to appear before you today representing the Employment Standards Administration (ESA) of the Department of Labor.

The Employment Standards Administration's FY 1989 budget request for Salaries and Expenses is for $245,225,000 and 4,103 full-time equivalent (FTE) staff years. This represents a funding increase of $9,836,000 compared to the FY 1988 level, which is required to provide quality enforcement and service delivery programs for our important operations. The staffing level reflects a net increase of 43 FTEs from the 1988 level. The increase of 43 FTEs is requested for the Wage and Hour Program to fully meet its enforcement responsibilities under the Immigration Reform and Control Act (IRCA) and to provide an enhanced enforcement program in the area of homeworkers. Resources are requested to deliver a much needed, nationwide training program for Equal Opportunity specialists in the Office of Federal Contract Compliance Programs to ensure high-quality and comprehensive investigations, providing firm, impartial, and professional enforcement to promote non-discrimination and affirmative action by Federal contractors. A funding increase of $1.7 million is requested for Wage and Hour to upgrade and replace outdated equipment and office systems. The request also reflects resources to reimburse the United Mine Workers of America (UMWA) Health & Retirement Funds for services rendered in processing medical bills for Black Lung beneficiaries. A slight funding increase is requested to assist the Black Lung Program to complete the recompetition of their support services contract. Finally, the budget request reduces funding in the Federal Employees' Compensation (FEC) program since the acquisition of equipment for the new ADP system will be accomplished with FY 1988 funding.

The Special Benefits fund request for FY 1989 is for $1,299,000,000 of which $257,000,000 is a direct appropriation to the Department of Labor and $1,042,000,000 are reimbursements from other agencies. Since the Postal Service did not receive funding in their appropriation to cover the Federal Employees' Compensation costs incurred by former Post Office Department employees prior to July 1, 1971, the Special Benefits appropriation will be forced to draw down funds from its FY 1989 anticipated appropriation to ensure that payments to beneficiaries remain uninterrupted. The FY 1989 request for the direct appropriation includes funds to cover the Postal Service cost for FY 1989.

The FY 1989 Black Lung Disability Trust Fund request is for an appropriation of $688,970,000. This amount includes $633,435,000 for benefit payments and $55,535,000 for administrative costs. The Employment and Training Administration has requested a supplemental of $54,000,000 in FY 1988 to provide additional advances to the Trust Fund. The supplemental is required because revenues to the Fund in 1988 will be insufficient to meet monthly Trust Fund obligations.

In FY 1988, we are continuing to place priority on high-quality enforcement programs and the delivery of efficient and effective services to the public by continuing measures that will constrain overall expenses and improve the effectiveness of our diverse operations.

The remainder of my statement will address our 1989 salaries and expenses request.

Enforcement of Wage and Hour Standards

A total of $90,035,000 and 1,520 FTEs are requested for the Wage and Hour Division to enable the program to respond to complaints on a timely basis and further promote voluntary compliance.

Vigorous enforcement of the wide range of laws that establish standards for wage and working conditions, covering virtually all private employment, will be continued. Our major objective is to achieve compliance by employers through direct enforcement activities including resolution of complaints, and by promoting voluntary compliance through enforcement and technical assistance. Approximately 87,500 compliance actions will be completed under the wage and labor standards mandates, including the Fair Labor Standards Act, Government Contracts labor standards, and the Migrant and Seasonal Agricultural Worker Protection Act. We will continue to meet our responsibilities under the employment eligibility verification and H-2A provisions of the 1986 IRCA amendments and in the industrial homeworker compliance area.

Federal Contractor EEO Standards Enforcement

A total of $52,493,000 and 970 FTEs are requested for the Office of Federal Contract Compliance Programs (OFCCP) to enable the program to enhance its directed enforcement programs and investigate and resolve complaints on a timely basis.

We will continue to fulfill our mission to assure equal employment opportunity by Federal contractors by enforcing the contractual obligations imposed under Executive Order 11246, Section 503 of the Rehabilitation Act of 1973, and 38 U.S.C. 2012. Continued emphasis will be placed on maintaining quality control measures and fostering voluntary compliance. Emphasis on improved and expanded training will enhance the quality of the program accomplishments. Over 6,100 compliance reviews will be conducted under the Executive Order and the handicapped and Vietnam veterans' mandates. Complaints will continue to be processed on a current basis, through the completion of over 1,000 complaint investigations and resolutions.

Federal Programs for Workers' Compensation

In the Workers' Compensation programs, our major objective is to ensure that the interests of eligible claimants, employers, and the Federal government are properly protected throughout all stages of the claims management process, including the adjudication and processing of claims for compensation and medical and other benefits provided by the Acts. The major focus remains prompt adjudication and payment of claims while maintaining a high degree of accuracy, fiscal integrity, and constituent services.

Federal Employees' Compensation Act

A total of $50,745,000 and 900 FTEs are requested to administer the Federal Employees' Compensation Act (FECA) program to assure timely and fair payments of compensation to avoid the interruption of income to injured employees.

The program's priorities also include the continued development of FECA automation capabilities. Special attention will continue to be given to expanded rehabilitation and reemployment of claimants and management of the program's debt portfolio.

Longshore and Harbor Workers' Compensation Program

A total of $7,667,000 and 144 FTEs are requested for the Longshore and Harbor Workers' Compensation Program to further improve the accuracy and timeliness of claims processing activities.

Emphasis will be on improving claims processing and adjudication services. The program will continue the comprehensive technical assistance program for employers, insurance carriers, and covered employees. The Longshore Program will continue to develop automated management tools to improve the quality and timeliness of casework.

Black Lung Program

Resources requested for the Black Lung Program are for $28,816,000 and 366 FTEs to effectively manage the established caseload. The basic objectives of the Black Lung Program continue to be the timely and accurate determination of eligibility, the prompt delivery of appropriate benefits and medical services to beneficiaries, support for the processing of hearings and appeals, and more effective management of the program's debt portfolio.

Executive Direction and Support Services

A total of $15,469,000 and 203 FTEs are requested to provide vital support to the major program activities. Efficient and effective overall policy development and executive direction in support of ESA's programs nationwide are essential to the ESA programs' ability to provide credible, effective labor standards enforcement and client services. We will continue to direct an aggressive Affirmative Employment Program to enhance equal employment opportunity within the agency. Other priorities include the implementation and monitoring of productivity improvements, quality of worklife initiatives, and internal management control systems, as well as expanding and improving recruitment efforts and training and career initiatives. We will also continue to implement initiatives for more effective and cost efficient management of information resources, and emphasize the agency's effort to expand and improve automation of administrative functions.

Conclusion

Mr. Chairman, this concludes my formal statement. The budget request reflects our continuing commitment to using our resources in the manner best suited to protecting the interests of U. S. workers

while keeping the costs for the delivery of these services as low as possible. My staff and I will be pleased to answer any questions which either you or members of the Subcommittee may have.

STATEMENT OF JOHN A. PENDERGRASS, ASSISTANT SECRETARY, OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION

Thank you for this opportunity to present the Occupational Safety and Health Administration's fiscal year 1989 appropriation request, which provides for the necessary expenses of the Agency to carry out the purposes of the Occupational Safety and Health Act of 1970.

The Agency is requesting a total of $244,851,000 and the fulltime equivalent of 2,430 staff years -- a net increase of $10,677,000 and 52 staff years from the estimates for fiscal year 1988. This request allows for net "built-in" increases of $6,009,000. The request also includes program increases totaling $4,668,000 for the additional staff and support activities needed to resume Federal safety and health enforcement in the State of California.

-- The request for fiscal year 1989 will enable OSHA to conduct an estimated 66,500 worksite inspections in 1989, including 12,770 health inspections -- a total of 4,300 more inspections than are projected for the current year.

-- Moreover, state safety and health inspectors in plan states are expected to conduct an additional 101,000 worksite inspections under Federal matching grants, including 11,000 health inspections.

-- State personnel providing Federally supported consultation in 46 states and jurisdictions will make approximately 26,000 worksite visits, including 1,300 expanded, comprehensive training and assistance visits.

The agency promotes a mix of regulatory and non-regulatory activities that includes standards development, inspections, consultation, training, statistics, state programs, Federal agency programs, and voluntary employer/employee protection programs:

-- Comprehensive safety and health standards will be developed and promulgated which are enforceable and provide quality protection to the American workforce.

-- Inspections will continue to be targeted in high-hazard industries, with special emphasis on health hazards and enforcement of the new hazard communication standard in all industries.

-- A full range of technical services will be provided to support OSHA's program operations, including laboratory services and regulatory analysis.

-- The success of voluntary protection programs in promoting safe workplaces is expected to result in an increase in the number of participating companies.

I believe that in the near future OSHA will have unique opportunities to increase its impact in the American workplace. The agency is undertaking initiatives that have the potential to reach more employers and workers than ever before. The hazard communication standard, first implemented in manufacturing industries during 1986, is the most far-reaching regulatory action ever promulgated by the agency. The standard's coverage is now being broadened to include all industries. Under the expanded standard OSHA will assist a much wider range of employers in protecting their employees from chemical hazards in the workplace.

Another area of particular concern to me is the updating of Permissible Exposure Limits (PELs) for air contaminants. Many of these PELs are based on information that is now more than three decades old. Industry professional and consensus groups have updated exposure limits for more than 400 of these substances. Clearly we need to explore quicker and more efficient methods of updating these PELs than the traditional substance-by-substance approach.

Long-range strategies and goals remain an essential part of our efforts. The agency must anticipate emerging trends and shifts in business activity, to prepare for workplace hazards of the future. We must continue to make maximum use of the latest technologies to ensure state-of-the-art efficiency in combating hazards.

Thank you, Mr. Chairman. This concludes my statement. I will be pleased to respond to any questions.

STATEMENT OF DAVID C. O'NEAL, DEPUTY ASSISTANT SECRETARY, MINE SAFETY AND HEALTH ADMINISTRATION

I am pleased to appear before you to present the fiscal year 1989 appropriation request for the Mine Safety and Health Administration. This request totals $164,597,000 and 2,791 staff years to conduct mine safety and health activities. This is an increase of $5,323,000 and a decrease of 28 temporary staff years from 1988. The increase consists of funding requests for standards development, developmental work for the replacement of MSHA's aging ADP hardware and support systems, and mandatory cost increases.

Before we discuss MSHA's budget request for fiscal year 1989, I would like to outline MSHA's role in mine safety and health and to discuss how best to execute those duties.

I fully support the Administration's philosophy of cooperative efforts by management, labor and government in improving mine safety and health. In my view, the Mine Safety and Health

Administration has responsibilities not only for monitoring mining activities to ensure compliance with the law, but also for developing and assisting in other activities which will result in improved safety and health. The Agency should therefore continue to focus on the additional functions of technical and educational assistance, as well as conducting the mandatory activities required by the Mine Act.

I support the President's commitment to improve the efficiency of Government and to reduce unnecessary burdens on industry as well as to improve health and safety. We will continue our review of MSHA's policies and regulations.

ENFORCEMENT

A total of $117.3 million and 2,130 staff years is requested for enforcement activities at both coal and metal and nonmetal mines. This is an increase of $2.7 million and will provide for an additional 2,047 mine safety and health inspection events and a more efficient and timely completion of health standards. The request includes a reduction of 8 temporary staff years due to improved human resource planning. The resources requested for 1989 will provide an estimated 33,660 regular health and safety inspections. In addition to these inspections, the budget request includes resources for 72,596 other follow-up inspections, investigations and education and training activities.

ASSESSMENTS

A total of $2.2 million and 55 staff years is requested for the Assessments program for 1989. This is an increase of $130 thousand and a reduction of 3 temporary staff years from 1988.

In both 1988 and 1989, the Assessment activity will continue to assess civil penalty cases, and to collect and account for all penalties paid.

EDUCATIONAL POLICY AND DEVELOPMENT

A total of $12.1 million and 99 staff years is requested for Educational Policy and Development in fiscal year 1989. This is an increase of $466 thousand and a reduction of 2 temporary staff years from 1988. The Mine Academy will provide 40,000 student days of instruction in mine safety and health subjects in both 1988 and 1989. A total of $5.0 million is included for the State Grants program in 1989 for 47 participating states.

TECHNICAL SUPPORT

A total of $20.8 million and 331 staff years is requested for Technical Support activities in 1989. This is an increase of $708 thousand and a reduction of 11 temporary staff years from 1988.

The Technical Support activity will continue to provide direct support to MSHA's enforcement activities by making its technical expertise available to solve mining problems to further the health and safety of miners.

PROGRAM ADMINISTRATION

A total of $12.2 million and 176 staff years is requested for Program Administration, an increase of $1.3 million and a reduction of 4 temporary staff years from 1987. Included in this funding level is a program increase of $1.0 million for ADP computer time and technical support services for the conduct of systems development work necessary to replace MSHA's aged ADP equipment and systems by fiscal year 1992. The Program Administration activity will provide policy direction and administrative support for MSHA's safety and health programs.

CONCLUSION

The resources requested in MSHA's 1989 budget will allow us to continue our efforts to protect the safety and health of miners in the most effective and efficient manner.

Mr. Chairman, that concludes my prepared statement. I welcome this opportunity to respond to any questions you have.

STATEMENT OF DR. JANET L. NORWOOD, COMMISSIONER, BUREAU OF LABOR STATISTICS

I appreciate this opportunity to appear before you to discuss the budget and programs requested by the Bureau of Labor Statistics for Fiscal 1989.

Mr. Chairman, I believe that this is the 10th year that I have appeared before you to present the appropriations request of the Bureau of Labor Statistics. From these prior hearings and discussions, I know that you and the members of the Subcommittee appreciate the complex nature of the issues facing our economy and the critical role which BLS programs play in the formulation and evaluation of economic policy. The FY 1989 budget request of $236.7 million reflects an increase of $19.4 million over the amount made available in FY 1988. More than half of this increase is to cover the rising costs of certain mandatory items over which the Bureau has no control, such as Federal pay raises, increases in State salary and Bureau of the Census costs, and space rent charges determined by the General Services Administration. The remaining $9.5 million is for improvements to several of our statistical programs.

This is, as we know, a period of tightly constrained budgets in which every addition needs very careful evaluation. Nevertheless, there are a few critical areas where additional resources are needed to provide information necessary for the formation of sound economic policy by Congress and the Administration. I would like briefly to review these issues with the Committee:

First, to maintain and enhance the Nation's ability to monitor and evaluate the U.S. international trade deficit, funds are requested to revise and improve the Bureau's International Price Program. The $3.2 million and 43 FTE requested would allow more effective collection of import and export prices, monthly publication of aggregate indexes in addition to the presently published quarterly data, and, finally, publication of import price indexes for U.S. trading partners or trading regions for selected products. Additional improvements are planned for 1990 to further refine these data.

Second, BLS requests $5.5 million and 21 FTE to make major improvements to the list of business establishments from which the Bureau draws samples for surveys of businesses. We need data not now obtained on the numbers and sizes of business establishments, particularly those with several worksites within individual counties and to fully identify their relationship to the company of which they are a part. The proposed improvements to the BLS list of business establishments will strengthen all of our statistical work, and will improve the quality of samples selected by the States. Moreover, an improved BLS list which could be shared for statistical purposes with other major Federal statistical agencies would avoid duplication of effort by Federal agencies and reduce the burden to business of reporting information to the Federal Government.

Finally, BLS is requesting funds to comply with the 1986 Immigration Reform and Control Act. This Act requires the Secretary of Labor to report on the availability of American workers for seasonal farm employment, and BLS would act as the data collection agent in this effort.

Partially offsetting these increases are planned reductions in the revisions of the Consumer Price Index and Standard Industrial Classification Systems.

Mr. Chairman, our 1989 request builds on our Fiscal 1988 appropriation, which required a series of reductions across all our program activities. The Bureau has implemented these reductions in line with sound managerial practices, minimizing wherever possible the disruption to the core programs and to our staff. We at the Bureau of Labor Statistics remain committed to production of data that are timely and relevant, and of high quality, while carefully controlling costs.

Mr. Chairman, I am ready to answer any questions you may have.

Thank you.

STATEMENT OF THOMAS C. KOMAREK

Mr. Chairman, members of the Subcommittee, thank you for this opportunity to appear before you to outline my recommendations for the Departmental Management, Salaries and Expenses appropriation.

Departmental Management - Salaries and Expenses

Activities financed by this appropriation are responsible for formulating and overseeing the implementation of policy and management of the Department. In addition, this appropriation includes a variety of operating programs and activities which do not logically fall within the administration of other programs of the Department. In addition to providing funds for executive direction, adjudicatory, and management functions of the Department, this appropriation provides funds for:

the Bureau of International Labor Affairs
the Solicitor's Office,
the President's Committee on Employment of the Handicapped,
the Women's Bureau, and
the Directorate of Civil Rights.

The budget request for Fiscal Year 1989 for the Departmental Management Salaries and Expenses appropriation is $141.7 million and 1,977 FTE, of which $117.3 million is from general funds, $285 thousand is from the Unemployment Insurance Trust Fund and $24.1 million is from the Black Lung Disability Trust Fund within the Employment Standards Administration.

The Fiscal Year 1989 budget request reflects net non-program increases totaling $3.5 million (which includes restoration of $657 thousand from a travel reduction in FY 1988) and program increases totaling $1.1 million. These increases are partially offset by program decreases of $3.4 million for a net increase of $1.2 million. The program reductions are distributed as follows: $977 thousand associated with a one-time capital investment for data communications architecture in Administration and Management; $2.5 million and 48 FTE associated with a temporary increase in FY 1988 in Legal Services and Adjudication activities to reduce the large backlog of Black Lung cases by FY 1990. The program increases are distributed as follows: $250 thousand for the Office of the Assistant Secretary for Policy to conduct a Congressionally mandated study with the Equal Employment Opportunity Commission on aging, fitness and public employment; $453 thousand for Legal Services to provide for contractor services and ADP equipment; $317 thousand for Adjudication to provide for contract writer services and payment of administrative staff for training; and $136 thousand for Civil Rights to provide contract technical assistance and training in Title VI and Title VII of the Civil Rights Act of 1964.

I appreciate the opportunity to appear before the Subcommittee. Here with me today are other officials of the Department whose organizations are funded by this appropriation. We will be happy to answer any questions.

STATEMENT OF DONALD E. SHASTEEN, ASSISTANT SECRETARY, VETERANS' EMPLOYMENT AND TRAINING SERVICE

Thank you for this opportunity to discuss with you the Fiscal Year 1989 Department of Labor Budget proposal as it pertains to veterans' employment and training programs.

Before I provide details about the FY 1989 budget, I would like to mention a few of the accomplishments of the Veterans' Employment and Training Service (VETS) in FY 1987.

The Vietnam-era veterans' unemployment rate of 5.1 percent in January has continued to improve since January of 1987 when it was 6.0 percent. Of the more than 2.5 million veteran applicants to the State Job Service agencies, 560,000 veterans were placed in jobs or obtained employment as a result of one of our services rendered. More than 250,000 of those were Vietnam-era veterans. Through cooperation of the Veterans Administration, approximately 11,000 veterans were placed in jobs in FY 1987 through the Veterans' Job Training Act (VJTA) program bringing the total placements to 54,755. Finally, under Title IV-C of the Job Training Partnership Act (JTPA) an additional 23,000 veterans were enrolled in training and 7,500 were placed in jobs.

We believe improvements in the delivery of services have contributed to this progress. One of the major contributors to the better service delivery has been the training provided by the National Veterans Training Institution located in Denver, Colorado. Between January and September 1987, 1,200 Local Veterans Employment Representatives, Disabled Veterans' Outreach Personnel and other employment service staff have received training which emphasized the "whole person" philosophy on how to serve veterans.

In FY 1988, VETS is continuing its emphasis on quality services to veterans, placing more long-term and hard-to-reach unemployed veterans and increasing the effectiveness of VETS' management. We are scheduled to complete the development and pilot testing of VETS' integrated information management system (VIMS) in September. Nationwide implementation will be accomplished during the first quarter of FY 1989. We are excited about the enhanced management information that VIMS will provide to VETS, enabling the agency to become even more productive in its mission to place veterans in jobs. We have scheduled a National Forum entitled "Workforce 2000 and America's Veterans" to be held on April 19-21, 1988, to provide the public the opportunity to participate in a colloquy concerning the employment and training needs of veterans, the institutions and systems designed to serve those needs and the Nation's ability to ensure that veterans are able to participate successfully in a rapidly changing labor market.

VETS is expanding on the success of its Jobs for Homeless Veterans (JHV) pilot where more than 5,000 homeless veterans were reached, resulting in 1,300 job placements. Sixty percent of these veterans are still on the job after six months. Refining the JHV model, we expect to reach over 19,000 additional homeless veterans this year.

We are expanding NVTI through a three-phased program to provide guidance and job counseling training to up to 600 DVOPs and LVERs. We are working diligently to improve the approval process for IV-C grant applications for PY 1988. The successful pilot of the Army Transition Project at Fort Bragg will enable us to expand this joint DOL/Army project to four more sites this year. In March, Federal contractors were notified of their need to report relevant veterans' employment data for their companies. The information gathered through this reporting process will enable our field staff, working closely with the Employment Service, to ensure that veterans are receiving priority consideration for contractor jobs.

Our budget request for Fiscal Year 1989 is $142.4 million. Included in this amount is $127.3 million for grants-to States of which $73.8 million is for DVOPs and $53.4 million is for LVERs.

The funding is for 276 full-time equivalent staff and 3,424 State agency positions allocated through grants-to-States.

The agency's request for DVOP and LVER funding is based upon the intention to maintain DVOP staff levels in accordance with the staffing formula set forth in Section 2003 of Title 38 U.S.C.. DVOP staff provide direct service to veterans, as prescribed in the United States Code, and one position is allocated for each 5,300 Vietnam-era and disabled veterans residing in each State. These specialists are mandated by law to provide employment and employability development services to eligible veterans, with a priority to provide these services to the most disadvantaged veterans, e.g., the disabled and Vietnam-era veterans with severe barriers to employment.

LVER staffing will be reduced due to a demonstrated lack of need. Local Veterans' Employment Representatives do not provide services directly to veterans to the degree that DVOP staff do, but instead are responsible for functional supervision of local office services to veterans. Since State agencies are exceeding the quantitative performance standards, there is not the need for as much supervision as is now provided. The agency will provide funding for 213 fewer LVER staff years in FY 1989 than provided by formula. This will be effected primarily by reducing positions from full-time to part-time in an estimated 450 local offices. The actual number affected will, of course, be dependent upon the actual position costs for FY 1989.

Emphasis will continue in FY 1989 on DVOP and LVER involvement in intensive job development counseling and placement activity. In addition, these specialists will continue their efforts in coordination with service providers under the JTPA, community-based service organizations, and other supportive service agencies to ensure the provision of comprehensive services to veterans under the case manager/whole person concept.

For the JTPA Title IV-C program administered by the agency, the competitive grant application system for award of grants to the State and/or Service Delivery Areas will continue. The budget amount for Veterans' Employment Programs under JTPA, Title IV, Part C, is $9.6 million for FY 1989, the funding level provided by the formula contained in the Job Training Partnership Act. As I stated earlier, we expect that we will continue to have an effective program due to the competitive structure and the preference given to those applicants that match or exceed the grant amount with local funds.

In closing, I would like to thank you for this opportunity to discuss the FY 1989 budget and how it affects veterans' programs. I am confident that with the requested budget we can continue progress toward secure employment for all veterans and reservists, who with their dependents comprise approximately half of our nation's populace. I will be pleased to answer any questions you may have.

STATEMENT OF HAROLD RUSSELL, CHAIRMAN, PRESIDENT'S COMMITTEE ON EMPLOYMENT OF THE HANDICAPPED

Mr. Chairman, I am pleased to have the opportunity to be here today to testify on behalf of our Fiscal Year 1989 budget. We are excited about the accomplishments of the President's Committee during the past year and are anxious to share with you our plans for the coming year.

The President's Committee is a unique organization. We have a small staff, most of whom I might add are individuals with disabilities. And, we have a relatively small budget. But we do have a membership consisting of over 600 volunteer individuals and organizations representing virtually every discipline and group important to the disability community. Because we can mobilize the creativity and energies of our members, we are able to accomplish far more than could be expected by either our size or our funding.

It is not only the President's Committee members who participate in the development of our plans and contribute to our accomplishments. We seek the advice and welcome the cooperation of the Federal sector through, for example, our Associate Members, the Federal Agency heads, and our liaison with other Federal agencies including the National Council on the Handicapped, the Architectural and Transportation Barriers Compliance Board, the Administration on Developmental Disabilities, and the President's Committee on Mental Retardation.

And, we have as our full and equal partners, the State Governor's Committees which operate in every State to promote employment and other opportunities for individuals with disabilities. I am happy to tell you that, now, we also have a Council of Governors which includes every State Governor. This Council will involve the Governors in their State Committee, strengthening the Committee's work and bringing Statehouse attention to disability issues.

Because we are able to count on the efforts and involvement of all of our members and allies, our budget proposal for Fiscal Year 1989 does not call for any program increase above our budget for Fiscal Year 1988. The FY 1989 request is for $2.5 million and 37 FTE staff.

Using the advice and guidance of all those who work with us, we have determined that during the Fiscal Year 1989 we will concentrate on the following projects and activities and will be able to do so without any program increases.

1. Advise the President on policy issues important to individuals with disabilities, consult with the Congress on disability legislation, and cooperate and coordinate with federal agencies on the development and issuance of regulations.

2. Provide legislative information and technical and programmatic information and support to the State Governor's Committees to assist them in promoting and developing

employment opportunities for individuals with disabilities through, among other methods the increased use of an electronic mail network.

3. Work to increase access of people with disabilities to our Nation's employment preparation system by beginning a major, three year project to study both the actual and potential participation rates of individuals with disabilities in the Job Training Partnership Act, vocational education, vocational rehabilitation and higher education, and other related education programs.

4. Concurrent with the study described under #3 analyze the data collected during Fiscal Year 1988 from various disability related groups to identify the specific policy issues which must be addressed to increase employment opportunities for persons with disabilities. Prepare and distribute a report to the appropriate national level agencies.

5. Revise the popular "Pathways to Employment" program which has been successfully conducted in 42 communities across the Nation to date, to focus on the employment needs of adults with disabilities. A first, national adult centered "Pathways to Employment" meeting will be held to field test the program and to develop information on the employment related needs of adults with disabilities.

6. Codify, analyze, and distribute the information collected during a Fiscal Year 1988 hearing which focused on issues and recommendations regarding supported employment programs.

7. Continue a program to respond to the findings of the Harris poll of employers through such projects as sponsoring a high level national employment policy conference designed to involve key leaders from business, government, and education in preparing individuals with disabilities for employment and employing them.

8. In recognition of the significant impact that Workers Compensation insurance programs have on the rate of return to work for individuals disabled on the job, review the status of the Workers Compensation program and second injury fund laws in the fifty states and prepare a report.

9. Research and publish a directory of employment resources for people with disabilities for their use as they pursue employment preparation activities.

10. As a part of our continuing effort to strengthen our partnership with State Committees; The President's Committee, in cooperation with the Florida Governor's Alliance for the Employment of the Handicapped, will conduct our Annual Conference in Tampa Florida in May 1989. An estimated 4,000 people will attend.

Mr. Chairman, these ten projects which I have just outlined do not by any means constitute all of the projects and activities that

will be conducted by the President's Committee during Fiscal Year 1989. They represent only about 50% of our Work Plan. We will be finalizing the FY 1989 Work Plan and will send you a printed copy when it is completed.

Again, Mr. Chairman, I want to say how pleased I am to be here today. I know that we share a common determination to improve employment and other opportunities for individuals with disabilities, and that working together, we can achieve this goal.

SUMMARY STATEMENT

Senator CHILES. We are under somewhat of a constraint in that our budget resolution is still on the floor, and we are supposed to go to that sometime around 10 o'clock this morning.

Secretary McLAUGHLIN. Well, I will go swiftly through some of these points, and then, as you know, I have many of my colleagues, and we will be happy to respond to any questions, and of course, any that you or other members would care to submit in writing.

Senator CHILES. Thank you.

Secretary McLAUGHLIN. The budget for the Department was formulated within the guidelines set by the bipartisan budget agreement reached last December. It represents a commitment to fiscal restraint and to continued progress in trimming the size of the Federal budget.

The Department has submitted a fiscal year 1988 supplemental budget request. It includes a language change to enable us to use Job Corps funds now reserved for construction and acquisition activities for center operations in order to maintain the existing 105 centers and the 40,500 training slots. The request also proposes that an additional $54 million be transferred from the advances to the "Unemployment trust fund and other funds" account to the black lung disability trust fund to provide sufficient income to cover anticipated obligations for benefits in the Black Lung Program for fiscal year 1988.

The Department's request for new budget authority and trust fund transfer limitations in 1989 from this committee is $9.6 billion, of which $846 million is proposed for later transmittal. The Department's request for full-time equivalent staff is 18,591.

This budget also reflects continuing commitment to two basic goals: addressing problems of those with particular disadvantages in today's labor market and a commitment to continued effective enforcement of the labor standards, work place safety, and other legislative responsibilities that we have.

To address the problems of those in need of assistance in obtaining or qualifying for employment, we are continuing our large block grant training programs that are authorized under JTPA at the 1988 level. We have also included a request to be made later for a new worker readjustment program. Assuming pending legislation passes, our 1989 request for worker readjustment programs would be $980 million. The new program would serve nearly 400,000 participants in 1989 and about 935,000 participants in 1990. We will also be proposing legislative amendments to the JTPA legislation governing the Summer Youth Employment and Training Program. Our request remains at last year's level of $718 million. The amendments would allow summer program service deliverers to run year round programs of remedial education and basic skills and literacy training to economically disadvantaged youth in place of or perhaps in combination with the basic subsidized jobs provided during summer months.

We think this proposal will allow communities to respond to the special needs of the at-risk youth.

In addition, we will be requesting $193 million for JTPA national programs, and that is a reduction of $34 million from 1988 levels. We are proposing to fund the Older Americans Program at $336 million. In our salaries and expense accounts which fund the Department's staff, we are requesting a net increase in full-time equivalents of 73.

I would like to emphasize that as a reflection of our commitment to our enforcement program, the budget contains an increase of 122 staff for three agencies for basic enforcement of immigration laws, safety and health responsibilities, and worker protection legislation. These are the Employment and Training Administration, OSHA, and the Employment Standards Administration.

We are also requesting an increase of 52 staff and other resources for the Pension Benefit Guaranty Corporation to enable the corporation to manage its benefits administration and premium collection workload, and we are requesting 64 staff and increased resources for the Bureau of Labor Statistics, which would allow improvements in basic data series which will result in increasing understanding of our economic trends.

Where we do have staff reductions, they result from planned phaseouts or increased efficiencies and do not affect our ability to meet our responsibilities.

In summary, Mr. Chairman, I believe that we have a responsible budget and I would now be happy to answer your questions.

Thank you.

Senator CHILES. Thank you, ma'am.

Senator Inouye?

Senator INOUYE. I thank you very much, Mr. Chairman.

Congratulations, Madam Secretary.

Secretary MCLAUGHLIN. Thank you.

ASSISTANCE TO AMERICAN SAMOANS

Senator INOUYE. According to statistics from your office, the American Samoans have the highest proportion of people living in poverty, the lowest median household and family income, and the lowest proportion of high school graduates of any group living in the United States. And I would assume that these statistics are worse than the blacks or the Hispanics in the United States.

Samoans residing in my State are even more economically disadvantaged than their counterparts on the mainland, and I presume this is primarily a result of the high proportion of recent immigrants entering the State.

For these reasons, I am obviously interested in the efforts of your office to assist in assuring that the moneys appropriated by Congress in 1988 will be administered by one agency in California and one in Hawaii where over 82 percent of all Samoans reside.

I do not expect any response at this time, but any assistance you can give to the Samoans will be deeply, deeply appreciated, ma'am.

Secretary McLaughlin. I am aware of the funds, Senator, for JTPA service areas with large numbers of eligible American Samoans. I believe the two organizations, the National Office of Samoan Affairs and the State of Hawaii, are the two that we are apprised of, and we do not want to—and I understand you do not want to—delay any allocation announcement, but, as requested, we have postponed the announcement for now to provide you the opportunity to clarify congressional intent. We will be working with you.

Senator Inouye. Thank you very much.

Mr. Chairman, I have other questions, but I realize that we have other business pending, so if I may, I would like to submit them, sir.

Senator Chiles. Thank you very much.

Senator Inouye. Thank you, Mr. Chairman.

Thank you, ma'am.

DISLOCATED WORKER PROGRAMS

Senator Chiles. Madam Secretary, you are proposing to nearly triple the size of the Federal spending on programs to retrain dislocated workers, from $335 million to $948 million, once legislation now a part of the trade bill is enacted.

While there is clearly a need for an expanded Worker Readjustment Program, I want to ask you some questions of how quickly do you expect the States to be able to gear up to administer the new Worker Readjustment Program.

As you know, the Department is going to have $133 million of unspent carryover for the current dislocated worker program. That is $133 million for a program funded at $287 million in 1988.

I would like you to try to explain for me the large carryover balances which have characterized the dislocated worker program since its inception 5 years ago, especially despite the fact that we are now seeing that we need to triple the program. So, in other words, we know that the money, the available funding would serve only a small fraction of the dislocated workers, and yet it has been characterized by these very large, every year, sort of carryover programs.

So the bottom line is of the $948 million that you are proposing, how much do you expect the States could realistically spend, but I would like you to also explain to me if you can why we have had these large carryovers in a program that was clearly underfunded?

Secretary McLaughlin. I would like to ask Acting Assistant Secretary Bob Jones to answer. We discussed this last night, and I think you should hear it from him.

Mr. Jones. Senator, there are two separate sides to this issue. One is your question of the existence of the current carryover.

Senator Chiles. Yes.

Mr. Jones. It exists for two reasons. One is when the Congress first initiated this program, they appropriated the full annual amount which was available even before the program was in fact implemented in the States. A large part of that went unspent the first year, and was carried over. The carryover balance has come down every year since that point, although not to the extent that we would like.

Second, one of the major problems in a program like this is the timing of spending commitments. This is not an annualized classroom training kind of a program. Money, as you know, is used when in fact plant layoffs occur or major shutdowns take place, which might well be toward the end of the fiscal year. In such a case, the money is granted at that point in time and is spent then and into the next fiscal year. So while it shows on Federal budgeting books as carryover, it in fact is obligated money for serving people who have been laid off.

Even in that case, the amount of money again has been coming down each year.

To deal with this issue, under the new program, there is specific legislative language that has been agreed to by the Senate and House conferees in the trade bill limiting the amount of carryover each year and authorizing us in fact, when it rises above 20 percent in any State, to pick it up and reallocate it to other areas of greater need.

That has been by agreement with both Houses and with the system to ensure that this does not continue in the future.

Third, you asked when and how we will start. This is a program year appropriation, and in fact now, with the lateness of the trade bill, the new program with its new funding will be fully implemented starting in July 1989. However, activities need not wait until then. We will be asking for authority to use any remaining funds in title III for this year, 1988, for transition activities, so we would expect to be fully operational by July 1 of next year.

Senator Chiles. Well, bottom line, then, you know, is there anyway that we will use the $948 million this year?

Mr. Jones. Once again, this is a program year funding that will not start until July 1 of next year, and the answer is yes, that we will have almost a full year to put that program in place and to enroll people into that system before the startup of expenditure occurs. That did not happen in the original title III program, but it will happen in this case.

So I would expect that you will see a maximum expenditure of that amount of money during program year 1989.

MINIMUM WAGE IMPACT

Senator Chiles. Eleven States have enacted minimum wage hikes which we have understood will impact about 25 percent of jobs for the elderly. Several more States are expected to act this year.

We have received some reports from the Senior Community Service Employment Program that their sponsors will be forced to lay off older workers in both fiscal year 1988 and 1989 to accommodate these minimum wage proposals.

We have been told in California alone that AARP will be forced to lay off 20 percent of its enrollees.

At current and requested funding levels, how many older Americans do you all estimate will lose employment due to these minimum wage hikes?

Mr. JONES. Senator, we have done a survey each year on that particular point trying to keep track of exactly what we think will take place.

Right now we are serving more people than the appropriation has anticipated in the Older Americans Program in that they do not work full time and they do not work a full year.

We do not believe immediately, on a national basis, that we have a problem. We will continue to watch that number, and if in fact we think we have a serious problem because the service levels are below those that we have agreed to with the Congress, then we will have to deal with that issue. But so far that has not been the case.

It may be in an individual State or an individual program. If they are really running that close to the limit, they may have to reduce their number slightly. So far, we will have to work with each State to determine what that is.

Senator CHILES. I wish you would monitor that closely and let us know what your proposals are. There is a great deal of concern out there in the senior community that there are going to be large layoffs.

EMPLOYMENT SERVICE

The State of Florida indicates that it will have to close 5 of its 49 main job office service offices as well as more than one-half, 23 of 38 of its branch offices if we enact your proposal for the 1989 budget cuts. We understand similar reductions will be required in other States, and those cuts would come on top of the reductions already scheduled to go into effect July 1 from last year's reduced funding level.

Does it make sense to further reduce local employment service offices at a time when the needs of workers and business continue to expand?

Mr. JONES. Senator, it would be unfair if I did not say I was a little concerned about the premise of the question. The State of Florida right now is carrying approximately 10 percent of unused money in the employment service, and they will likely do the same into next year. Their midyear expenditures at this rate for this year continue to show them spending at a lower rate than would be sustained. So if they anticipate closing offices, I am unclear as to——

Senator CHILES. Every State would be forced to carry some kind of a reserve, would they not? I mean, would 10 percent be a large reserve to carry?

Mr. JONES. Yes, sir; I think in the employment service, where we are dealing with basic staff issues on an ongoing basis and where the issues are frequently combined with unemployment insurance and JTPA, that that is probably not necessary.

Senator CHILES. Then you are disputing that they would have to close 23 out of 38 offices?

Mr. JONES. My suggestion is what they have done is projected against the appropriation for employment service alone. The budget assumes that a substantial funding increase will occur from the Worker Adjustment Program, many of whose services will be provided through State employment security agencies.

And I think when they consider this additional resource, you would find that they probably will not have to close offices. Our numbers would tell us that when you look at the total funding for Florida, we do not think that is the case.

Now, it is impossible to be sure because we obviously have not seen allocation formulas yet, but I do not believe that the issue is that severe.

Senator CHILES. Well, we would certainly like to work with you and to see whether that is going to happen.

JOB CORPS

Senator Burdick has been concerned that in 1988 Congress appropriated $89 million for Job Corps construction activities, of which $31 million was earmarked to establish new centers.

You are now requesting supplemental language to transfer up to $30 million to prevent cuts in existing centers which you say will not leave room for any new centers.

Even if Congress agrees to your supplemental request, that would leave $59 million for the regular construction. The Department has only requested $35 million for the regular construction program.

Why are you telling us that there is not enough money for new centers?

Secretary MCLAUGHLIN. Let me start on that, if I may, Mr. Chairman, and then Bob Jones could supplement.

First of all, we had an unhappy coincidence of an across-the-board cut of 4.3 percent coming after the Appropriations and Budget Committees provided additional funding for new Job Corps centers. Bob can explain why we took the cut as we did in order to protect the existing programs. I would point out that we are working with Senator Burdick and the State now to find creative and appropriate ways to start a Job Corps center for North Dakota. We can provide technical assistance and be supportive, where they, for example, have a government building available and other resources. We would like to see that the Job Corps Program can be, if you will pardon the expression, franchised creatively within communities and States with our support, but not necessarily complete Federal funding.

So while it is not as easy an answer, we are working closely with the Senator on that because he has identified some resources in the State.

But I would like Bob to clarify our supplemental request.

Mr. JONES. Yes, sir.

The issue, as you have clearly stated, is first the need to move approximately $30 million to the operating account to continue to support those 40,000 slots, and then second, a certain amount is required, as you point out, for ongoing construction. The remainder is needed for approximately four to five centers which are in such serious shape that we have to relocate or totally reconstruct them. If we delay doing that, all it does is increase the amount of money required in the next year's budget to accomplish the same results.

We have laid it out for the committee. We also have laid out, I believe, the total amount of funds that would be required to both open and operate new centers if we were to get into that discussion. It concerns us. If we were to borrow the money from that account to go ahead and open new centers, two issues are in front of us. We still would have to meet those relocation and reconstruction needs at some point next year, and second, funds to operate such centers would be needed.

BLACK LUNG BENEFITS

Senator CHILES. You have requested a bill language supplemental to provide an estimated $54 million to pay black lung benefits. While this is a mandatory program not covered by the no supplemental budget summit agreement, we are unlikely to have the supplemental over from the House until June.

When must the supplemental be enacted to avoid disruption of the black lung benefits?

Secretary MCLAUGHLIN. By July, Mr. Chairman.

Senator CHILES. When in July, do you know?

Mr. KOMAREK. Early July, Mr. Chairman.

CHILD CARE

Senator CHILES. The children's defense fund makes a startling claim that each month there are 200,000 nonworking mothers of young children that turn down job offers because they cannot afford child care.

Are we indeed facing a child care problem of this kind of magnitude?

Secretary MCLAUGHLIN. Mr. Chairman, later this week, I will be releasing a report done by a task force within the Department that looks at not only who the parents who have a child care need are, but also where those children are now, and we will be acknowledging that indeed there is a national concern. I understand there are over 100 bills on the Hill at this point to address some of the child care needs.

Within our own Department of Labor and Job Corps, for example, JTPA——

Senator CHILES. Well, does the administration have any immediate proposals to alleviate the child care problem other than encouraging the private sector?

Secretary McLaughlin. Not at this point. We will be working on that within the weeks ahead after I put my report out. We will be having Cabinet meetings, et cetera, to discuss that.

Senator Chiles. I also want to ask you some questions concerning what you think the Department's responsibilities are under the Paperwork Reduction Act. I will submit the questions to you so that you can respond for the record.

ADVANCE NOTIFICATION OF PLANT CLOSINGS

My understanding is you may recommend the President veto the trade bill if the plant closing legislation is kept in the conference agreement.

Why should a requirement that companies give 60 days notice of closing be important enough to trigger a veto of a bill that has this Job Corps money, retraining money, and a lot of other features that we all know are tremendously important in the bill?

Secretary McLaughlin. Well, Mr. Chairman, you are right, there are many attractive features, which should also indicate the very deep concern over mandated plant closing. There are a number of reasons, not the least——

Senator Chiles. Mandated plant closing. I am not talking about mandated plant closings.

Secretary McLaughlin. It would be mandated notification, excuse me, but it might indeed end up to be plant closings because we feel that the interference by mandating to the private sector and to business what and when they must do something will decrease the flexibility and the decisionmaking that has to happen at the plant level.

Senator Chiles. Well are you recommending working with the conferees to come up with something acceptable in this area?

I think everybody sort of agrees, do they not, that maybe a worker is entitled to some kind of notice?

Secretary McLaughlin. No doubt about it, Mr. Chairman. That is why the WRAP program is so important to us, because of the early response, and we think that goes——

Senator Chiles. Why the what?

Secretary McLaughlin. The Worker Readjustment Program that is also part of the trade bill.

Senator Chiles. Well, we want to do something more than just give him another job, do we not? I mean, is there not some equity to say, you know, put you on a little notice that something is getting ready to happen?

Secretary McLaughlin. Absolutely, sir, and we think many businesses are and will continue to do that, giving more and more notice. In fact, it is part of the collective bargaining agreements of many large businesses. There are some that are responsible.

Senator Chiles. So again, let the corporate take care of that. We just think they will take it and do it properly?

Secretary McLaughlin. They are the same ones who are creating jobs, and I would worry that the kind of mandating of notification would frankly bring to reality true plant closing because there would be many people who would be playing games with that.

Senator Chiles. Well, you know, if we take that kind of attitude, though, Madam Secretary, can we say—why is there a reason to have OSHA, because what the heck, a lot of companies are doing more on worker safety than OSHA is ever doing, and a lot of them know it is good policy, and a lot of them know that it is proper and good things they could do, but somehow we have decided that a corporation is not necessarily endowed with a conscience and that it needs a little nudging along the way. So we require something like OSHA.

But we do not need to do that about plant closings at all.

Secretary McLaughlin. I think the evidence on plant closings is strong. I think that there is the desire at the community level, at the State level, and at the Federal level to work with workers if they are dislocated.

Senator Chiles. Do you not think that there is a lot of evidence that there have been a lot of plant closings that the workers were told absolutely nothing and got absolutely no notice, and were left hanging, just holding the sock?

Secretary McLaughlin. I am aware of that, but I think it is the minority, not the majority, and I think with the programs in place and the reality of what is expected of them, businesses are responding, the same businesses that have created 15 million new jobs in the past 6 years.

Senator Chiles. Senator Specter?

Senator Specter. Thank you, Mr. Chairman.

Secretary McLaughlin. I think that is the difference in our philosophy, Mr. Chairman, but it is appropriate to think about the workers' needs on that, and I am sincerely doing so.

Senator Chiles. I think there is a difference.

Senator Specter. I join, I know, in the welcome which the chairman has already given you, Madam Secretary, and compliment you on your initial activities in your new job.

FEMALE PARTICIPATION IN JOB CORPS

The subject matter that I wanted to take up with you particularly relates to the Job Corps center which is very important nationally and which has been very important in my State, and my specific question goes to the subject of day care in Job Corps centers.

There is a requirement or a goal of 50 percent participation in Job Corps training by women, an objective which has not been reached because the prospective women who would be in Job Corps training need child care.

There are two child care centers, as I understand it, which have already been put into operation in San Jose and Atlanta, GA, and the question I have for you is what is your evaluation of, No. 1, the prospect of reaching the 50-percent standard; second, how do you evaluate the day-care centers already in operation, and third, what are your views for expanding it in the future?

Secretary McLaughlin. Let me say, Senator, that I early on learned of the, frankly, low level of females in the Job Corps Program, and I have been very supportive and am encouraging the Job Corps Program to now look at the feasibility of greater use of child care to attract and make it possible for young women to take advantage of the program.

Our experience with the present child care, day-care centers has been very positive, and they seem to be going very well.

Another concern I have, unrelated specifically to child care, but to the desire to attract females to the program, is that they could be members of welfare recipient families, and there is some question about their not leaving home so that they do not affect the ability of the mother or father to receive the welfare payments. That is another side of the same problem that we are also looking at.

Bob Jones may want to add to the child care question, though, because I am hopeful that in the next several months we can give you a better answer.

Bob?

Mr. Jones. The only thing I would add, Senator, is that I am not sure until we get some more data that the existence of the day-care centers affects female participation. However, these arrangements are working out quite well and we are trying to understand now what the physical and cost implications are of expanding that into other centers, but I am not sure that that is going to change our percentage of female participation.

We have major recruitment programs, trying to increase the number of young women in the program. Most of the issues that center around female participation are not just child care issues. It is a difficult problem of getting them to move away from home and stay in a Job Corps center for extended periods of time. We now are at a point where a very large majority of our centers are coed; we have the capacity. The issue is to recruit people and get them into the system, and it is a major problem that we have folks working full time on.

It will be a while before we can determine whether or not the day-care issue itself will increase that participation.

Senator Specter. Well, what is the percentage participation of women in the Job Corps training centers?

Mr. Jones. I did not bring the number. It is in the neighborhood of 31 percent.

Senator Specter. What is the experience of the number of women who were in the Job Corps training centers at San Jose and at Atlanta?

Mr. Jones. I would have to provide that for the record.

Secretary McLaughlin. And whether that is increasing, you mean, because of the child care?

Senator Specter. How long has the San Jose center been open?

Mr. Jones. The center itself, or the day-care program?

Senator Specter. The day-care program.

Mr. Jones. The day-care programs in the three that we are working with have only been open for about 1½ to 2 years.

Senator Specter. Where is the third?

Mr. Jones. Excuse me, there are only two.

Senator Specter. That is what I thought.

Well, I would certainly be interested, and I think the subcommittee and the committee would be interested in knowing the results at the child day-care center in these two cities, specifically how long they have been in operation, how many women have made use of the facilities, and to what extent, if at all, the availability of those facilities has increased the number of women who have gone to the Job Corps centers.

[The information follows:]

CHILD DAY-CARE FACILITIES AT THE ATLANTA AND SAN JOSE JOB CORPS CENTERS

The day-care facility at the Atlanta Job Corps Center was opened in 1970 and is able to provide care for 65 children. We do not have exact figures on the number of different women who have taken advantage of this service during the 18 years it has been in operation, but we estimate the number would be in the range of 2,000. The day-care facility at the San Jose Job Corps Center opened in 1978 and provides care for 30 children. In the 10 years it has been in place, we estimate that approximately 450 women have used this service.

Although we do not know this for a fact, we believe it is safe to assume that a large number of these women would not have been able to participate in Job Corps without the day-care facilities being available at the centers. It is also likely, however, that many of these women would have been able to make alternative arrangements.

WOMEN PARTICIPATION IN JOB CORPS CENTERS

Senator Specter. Madam Secretary, you said that there were other factors beyond the issue of day care, child care, which may discourage women from participating.

What are those factors?

Secretary McLaughlin. The one I mentioned is the——

Senator Specter. Beyond welfare.

Secretary McLaughlin. Bob may have some others that he wants to mention.

Mr. Jones. Well, I think, as I say, the biggest difficulty we have in Job Corps generically, particularly with females, is encouraging them to move away from home and family and neighborhood to distant jurisdictions, to participate on a 7-, 8-, 9-, 10-month basis before returning home. That is the biggest issue we have. It is also the biggest turnover rate issue we have in the first week or two, even when we get them there into the system.

It is a very difficult problem. We have been at it for some time now with organizations that not only recruit but help nurture them throughout their stay in the program.

NONRESIDENTIAL APPROACH TO JOB CORPS

Senator SPECTER. Well, when you talk about moving, that certainly is a factor, but is there not an enormous pool of potential Job Corps trainees in the cities where they are located?

I know we opened a big unit in Pittsburgh.

Mr. JONES. Yes.

Senator SPECTER. Thanks to Secretary Brock's help and a multimillion dollar allocation, and in that city, and in the environs, it would seem to me that there would be an ample pool to draw upon if support facilities like day care were available.

Mr. JONES. We have several demonstrations going on right now, Senator, that go right at that issue. As you may know, the Congress prohibits us from serving more than 10 percent of our Job Corps people on a nonresidential basis, who would in fact be local residents of the community. There is a cap on exactly how many of those we can serve.

It is an important issue.

Senator SPECTER. How sensible is that cap?

Mr. JONES. We do not know. We have demonstrations going now to test whether or not that number can be increased, whether or not the service deliverer can maintain the same success rate if they are nonresidential versus residential, which I think is the issue the Congress has generally been concerned about. Will you get the same success rate for 8, 9, or 10 months and the same placement rates into jobs and training if in fact you do not have them in a 24-hour-a-day setting?

It is our contention that if we can demonstrate that we can raise that number of nonresidential slots substantially and we can still demonstrate success, that we ought to change that cap in order to serve more people at a lesser cost.

As you know, one of the biggest issues in Job Corps from a cost standpoint is the 24-hour-a-day care.

Senator SPECTER. Let me pose two more questions and ask you to respond for the record because we are running short on time, and the chairman, understandably, wants to move on.

I would be interested to know what your evaluation is of the value of the residency requirement and the results of the residency requirement in restricting filling the slots so that we could give consideration to a modification there, and in light of your comment, Madam Secretary, about the welfare issue, I would be interested in your evaluation of legislation which I introduced in the 99th Congress and again in the 100th Congress, I am trying to work into Senator Moynihan's welfare bill, which would change the Federal law on the requirement that AFDC and Medicaid not be available where there are two parents, two members, two adult members of the household, and my legislation goes to the issue to allow those benefits, providing one is in job training.

And I would like an evaluation, your evaluation of that specific proposal. And if you could provide that in writing, it would save us time at the moment.

Secretary McLAUGHLIN. I would be happy to, Senator. Thank you.
[The information follows:]

DEPARTMENT OF LABOR ASSESSMENT OF STATUTORY LIMIT ON PERCENTAGE OF NONRESIDENTIAL JOB CORPS ENROLLEES

In section 427(a)(2) of the Job Training Partnership Act, the percentage of nonresidential enrollees in Job Corps is limited by the following language: "In any year, not more than 10 percent of the individuals enrolled in Job Corps may be nonresidential participants."

This provision is intended to maintain the predominantly residential nature of the program, which is generally appropriate in light of the mission for which the Job Corps has been designed and the characteristics of its target population. In recent years, however, it has become evident that the limited availability of nonresidential slots has made it difficult to serve young women who have childcare responsibilities.

We suspect that the 10-percent cap should be raised, but we do not know at this time by exactly how much. We will be preparing a report on this matter sometime in 1989 based on our review and evaluation of several different pilot and demonstration projects that are already in place or which will be put in place within the next several weeks.

AFDC AND TRANSITIONAL MEDICAID BENEFITS

In response to your question regarding welfare reform, I would first note that the administration has endorsed Senate 1655, the AFDC Employment and Training Reorganization Act of 1987. We believe Senate 1655 offers the most effective approach to welfare reform and would succeed in helping recipients become self-sufficient.

You asked me to evaluate your proposal regarding changes to Federal law to allow two-parent families to receive AFDC and transitional Medicaid benefits where one parent is in job training. Under current law, States have the option of providing AFDC coverage to two-parent families under the AFDC-UP Program and 26 States have chosen to do so. Where such families receive AFDC, they are, of course, also eligible for Medicaid. Substantial additional Medicaid coverage to the medically needy is also available under State options. In addition, current law provides transitional Medicaid coverage to recipients for periods ranging from 4 to 15 months.

The administration believes that the current law approach to AFDC and Medicaid coverage of two-parent families is appropriate. The administration endorsed Senate 1655 retains current law with respect to such coverage.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator SPECTER. Thank you very much.

Thank you, Mr. Chairman.

Senator CHILES. Thank you, Senator Specter.

Thank you, Madam Secretary. We appreciate your appearance here today. And there will be some other questions in writing from Senator Byrd on black lung and some of the other Members, and we would appreciate your answering them.

Secretary McLAUGHLIN. Thank you.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

NEW JOB CORPS CENTERS

Question. In 1988 Congress appropriated $89 million for Job Corps construction activities, of which $31 million was earmarked to establish new centers. You are now requesting supplemental bill language to transfer up to $30 million to prevent cuts in existing centers, which you say won't leave room for any new centers. Even if Congress agrees to your supplemental request, that would leave $59 million for the regular construction. The Department had only requested $35 million for the regular construction program. Realistically, how much non-emergency repair and rehabilitation work could be postponed until fiscal 1989 in order to make room for start-up costs of new Job Corps centers?

Answer. We do not believe that any of the work at the existing centers should be postponed to finance the opening of new Job Corps centers. Given the condition of many existing Job Corps centers, the purchase and renovation of facilities for new centers would be an inappropriate expenditure. Our plan in Program Year 1988 is premised on the availability of $60.8 million for construction, rehabilitation and acquisition of facilities. The top priority is to provide for the baseline budget of $36.9 million to correct deficiencies at existing facilities that have been identified through the biennial survey process. With regard to the remaining $23.9 million, the next priority is to relocate six existing Job Corps centers where the facilities are in generally poor condition and do not provide a satisfactory learning environment. The costs of relocating all six centers will range from $42 million to $65 million, depending on the availability of new sites at nominal or reduced costs. The $23.9 million, therefore, will be sufficient to accomplish at least two relocations and possibly up to five.

As to the effects of the postponement suggested in the question, it should be understood that there will be no net reduction in cost or funding requirements for facility rehabilitation. Our physical plant undergoes a continuous process of deterioration. If work is delayed, the funding requirements accumulate. That is, the funding needed to accomplish the delayed work must be added as a net increase to the following year's budget in order to keep pace with effects of facility deterioration.

Question. How much lead time is needed to open new Job Corps centers and how much would be needed for first year start-up costs of 4 to 5 new centers?

Answer. A minimum lead time of two years is needed to acquire facilities and make them ready for occupancy. The funding needed for the acquisition and rehabilitation of the new facilities would, of course, vary with the number and size of the new centers contemplated, along with the availability of suitable properties at nominal or reduced cost. For a relatively small center of between 250 to 300 slots, this requirement could range from $6.4 million to $9.6 million, which would include the costs of equipment and furnishings. For an average size center of between 400 to 450 slots the cost would range from $10.2 million to $14.4 million. Upon occupancy, the new centers would require an ongoing commitment of operating funds. The annual costs for operating each new center would vary depending mainly on the number of training slots. It could be expected that the annual costs for operating a center of between 250 to 300 slots could range from $4.2 million to $5.1 million and from $6.7 million to $7.6 million for a center of between 400 to 450 slots.

CHILD CARE FOR JOB TRAINING ENROLLEES

Question. To what extent is lack of affordable child care preventing women from enrolling in job training programs?

Answer. Under JTPA, child care is an allowable support service. Therefore, no one should be prevented from participating in a JTPA funded activity due to a lack of child care. There is, however, a limit to the funds which can be used for participant support. The categories of administration and support are limited to 30 percent of SDA's funds.

Lack of child care services may represent more of a barrier to Job corps enrollment for some young women with children because of the residential nature of the program. However, the fact that almost 20 percent of the women in Job Corps do have children suggests that suitable child care arrangements can be made in many cases.

Question. What provision does the Job Corps, which is primarily a residential living program, make for young mothers who need child care to participate?

Answer. The Job Corps contributes to the cost of child care by offering a $50 per month allotment to enrollees with children on condition that the enrollees provide an additional $50 by taking a $50 per month reduction in the build up of their post program readjustment allowance. This yields a total monthly child care allocation of $100. Also, two centers, Atlanta and San Jose, currently have onsite day care programs. The Potomac Job Corps Center has day care onsite through a Head Start program operated by United Planning Organization. The Guthrie Job Corps Center is able to provide off-site day care for young AFDC mothers through a linkage with the Oklahoma Department of Human Services. The South Bronx Job Corps Centers is able to provide child care services for a small number of corpsmembers enrolled in special academic classes leading to a high school diploma through a linkage with the New York City Board of Education. The Pittsburgh and Grand Rapids Job Corps Centers will be opening onsite day care programs during the summer of 1988, and plans are underway to open a day care center in the summer or fall of 1988 at the Detroit Job Corps Center. Funding for the onsite day care programs in Pittsburgh, Grand Rapids and Detroit will be provided through linkages with AFDC and other local programs rather than the Job Corps appropriation. Please note that there are no Job Corps centers with child care services for residential enrollees. Residential corpsmembers who have dependent children must have adequate child care arrangements in place for the duration of their enrollment in the program. Also note that our 1989 budget request does not include funding for the start-up or operation of any additional onsite child care programs at Job Corps centers. Instead, we will pursue our current strategy and seek day care services for Job Corps enrollees through linkages with local day care providers and child care subsidy programs.

SUBSTANDARD JOB CORPS CENTERS

Question. For the last couple of years, Congress has included appropriations bill language to prevent the Labor Department from closing any of the 106 Job Corps centers. Do you still have plans to close any Job Corps centers once the bill language expires?

Answer. We have no plans at this time to close any Job Corps centers. There are now 105 Job Corps centers in operation plus two small temporary demonstration nonresidential centers that were recently put in place as part of the Job Corps II pilot and demonstration effort. These two temporary centers, one in New Orleans and the other in Philadelphia, each have 225 training slots. The two pilot centers will be closed if they are evaluated unfavorably. However, in the event that our evaluation indicates that these two centers are especially effective, continued funding will be provided by trimming back on nonresidential slots and spending at several other established Job Corps centers.

Question. Can you identify any Job Corps centers that have repeatedly failed to meet minimally acceptable standards of cost-effectiveness?

Answer. We have a statistical performance measurement system in place that is able to identify centers that are exhibiting ineffective performance. We also conduct indepth, onsite reviews of centers once a year, as well as periodic monitoring visits by the Federal project managers. Where problems and poor performance come to light, corrective actions and remedies are taken.

Question. How do you evaluate and rate the performance of Job Corps centers?

Answer. Job Corps centers are formally evaluated on the basis of a performance measurement system that assesses center performance on six criteria. These include: two measures of retention, the proportion of corpsmembers who stay ninety days and the proportion of those who stay 180 days or more; a measure of placement, the proportion of those corpsmembers who stay at least 180 days who are placed; and three education measures addressing GED attainment and learning gains in reading and mathematics. Center performance is reported through monthly and quarterly reports and is monitored closely by the regional offices.

JOB CORPS PILOT AND DEMONSTRATION ACTIVITIES

Question. Your budget justification indicates you expect savings of $4,204,000 in 1989 from Job Corps II pilot and demonstration projects. How did you develop this savings estimate and what specific savings do you expect to achieve?

Answer. The estimated savings of $4.2 million in Program Year 1989 are prospective and anticipate the success and replication of certain approaches and concepts now being tested under the Job Corps II initiative. The expected savings will result from a combination of cost-sharing arrangements with other programs as well as more efficient utilization of Job Corps physical capacity. The three demonstration projects that are expected to result in cost savings are described below, along with the savings that are projected for each.

Public/Private Partnerships.....	$0.9 million	(cost sharing)
Extended Training Day...........	$2.5 million	(efficiencies)
Alternative High Schools........	$0.8 million	(cost sharing)

Public/Private Partnership

This approach calls for working with a major employer or group of employers through a partnership agreement with the Department of Labor to operate a Job Corps center to fulfill their current and projected needs for trained labor. The center would offer specialized training tailored to the needs of major employers complemented by hiring commitments and a 50/50 percent sharing of costs with private industry contributing cash and/or in-kind resources.

Extended Training Day

At designated pilot centers, training is being provided during evening hours for non-residential enrollees. Corpsmembers are able to obtain part-time jobs or participate in work experience at the same time they are completing their education and vocational training.

Job Corps Centers as Alternative High Schools

Centers have been encouraged to implement linkages with appropriate State/local Departments of Education to serve as alternative high schools for eligible potential school dropouts. Job Corps, under this pilot concept, will provide training and support services, and maintain records and reports on students assigned. The State will provide funds or in-kind resources and academic credit for participating students, and issue high school diplomas to youth who complete the program.

Question. Will you open any new centers, or satellite facilities, as part of the Job Corps II initiative?

Answer. Two small nonresidential centers were recently put in place as part of the Job Corps II pilot and demonstration effort. These two centers, one in New Orleans and the other in Philadelphia, each have 225 training slots. These two centers will be closed if they are evaluated unfavorably. However, in the event that our evaluation in 1988 indicates that these two centers are especially effective, continued funding will be provided by trimming back on nonresidential slots and spending at several other established Job Corps centers.

Question. Do you expect to close any Job Corps centers in program year 1989?

Answer. Apart from the possible closing of the two nonresidential pilot centers discussed above, the Department has no plans at this time to close any Job Corps centers.

Question. Which centers need to be relocated, at what cost?

Answer. There are six Job Corps centers that we regard as active candidates for relocation using 1988 funds. The estimated costs for relocating each of six centers is shown below. Because costs will vary depending on whether State or local agencies are willing to make facilities available at nominal or reduced prices, a range of cost is shown for those centers where specific properties have not yet been selected. It is our plan to use $23.9 million from the 1988 appropriation for center relocations, making it possible to relocate at least two of the centers listed.

	Training Slots	Low Cost	High Cost	Average
San Jose	440	$7,900,000*	$7,900,000*	$7,900,000*
Detroit	305	6,200,000*	6,200,000*	6,200,000*
Grafton	295	6,300,000	11,600,000	8,950,000
Charleston	430	7,500,000	13,200,000	10,350,000
Cincinnati	225	4,600,000	8,600,000	6,600,000
Atlanta	515	9,500,000	17,500,000	13,500,000
	2,210	$42,000,000	$65,000,000	$53,500,000

*Firm estimate.

LITERACY INITIATIVES

Question. Last year, the Administration proposed (through new legislation that was never enacted) an additional $150 million for literacy and remedial services for disadvantaged youth. Why has this request been deleted from the fiscal 1989 President's budget?

Answer. The legislation proposed last year is being replaced by a new at-risk youth proposal. The new youth proposal would allow greater flexibility in the use of summer program resources. States and localities would be given the option of using all or part of their Title II-B funds to run a year-round program of remedial education, basic skills training, work experience, and intensive counseling, monitoring and support services for economically disadvantaged, at-risk youth. It should be noted that the amount requested for Title II-B in this year's budget is $68 million more than the amount initially requested last year.

Question. Is it realistic to expect local areas to cut back on existing job training and Summer Youth services in order to make room for expanded literacy programs?

Answer. The Department has made literacy and basic skill training a key focus of all JTPA programs. It is a requirement of the summer youth program under Title II-B. Studies have shown that there is a critical need for improved basic skill levels to successfully compete in today's job market. The Department has brought this to the attention of local areas and stressed the value of long term intervention and increasing skill levels to achieve this goal. A decrease of services on basic skills should not require cutting back on existing job training or Summer Youth services.

Question. How do you get the private sector more involved in workplace literacy efforts?

Answer. Private sector employers are already involved in literacy and basis skills training in the workplace through the commitment of their own resources in providing these services to their employees. The Department has been examining ways to work with the private sector in improving the quality of the American workforce by funding new and better ways to teaching literacy and basic skills to workers who lack them. DOL and DOE have jointly produced a publication called The Bottom Line: Basic Skills in the Workplace which is an effort to share ideas and program designs that can help improve basic skills of American Workers. It is intended to help employers and others who are contemplating the establishment of basic skills programs already in place who want to improve their current designs.

A partnership approach involving business, labor, schools, government, community organizations, and workers themselves will greatly enhance DOL efforts to sharpen the skills of all workers.

Question. What other literacy initiatives are underway with Job Training Partnership funds?

Answer. A number of literacy projects are being funded under Title IV of the Job Training Partnership Act. These include projects and studies which are currently underway, in competition among bidders or awaiting announcement. Following are major categories of literacy projects and examples of projects:

Instructional Technology

Job Skills Education Program (JSEP), a transfer of Army-developed basic skills training technology, and an evaluation of computer-assisted instruction methods used in the Job Corps program.

Job-related use of Interactive Video Disk (IVD) technology, involving Domino's Pizza, UAW-General Motors, and UAW-Ford.

Interactive video disk and other computer-assisted applications to literacy training in academic settings, including the Multicultural Career Intern Program--an alternative high school.

Pilot and Demonstration Projects

Summer Training and Education Project (STEP), which includes classroom training and job placement, and Alternative School Projects to accommodate dropouts in need of more adaptive learning settings.

JOBSTART. Combines job skills training with self-paced individualized basic skills training.

Bilingual Projects (just starting), SER Jobs for Progress and La Raza projects provide literacy training for English-deficient individuals.

Policy

The Council of State Policy and Planning Agencies is working with 10 States to develop literacy action plans.

The council of Chief State School Officers awards and monitors grants to 10 States for planning, promoting and implementing services and enabling legislation to provide educational and related human services within the school systems to at-risk children and youth.

Georgia Legislative Black Caucus project to plan literacy training in rural counties.

Technical Assistance

American Society for Training and Development Study of best practices and transferability of employer-based training, including literacy training.

Brandeis University project to develop training programs and instructions for program operators to be used in improving reading, writing and basic mathematics of at-risk youth.

Literacy Research

National Assessment of Education Progress study of JTPA, Employment Service and Unemployment Insurance clients' literacy needs.

Study of literacy demands of occupations (presently being competed).

Study to identify ways to overcome barriers to workplace learning (presently being competed).

MINIMUM WAGE

Question. Legislation is pending in both the House and the Senate to raise the minimum wage. Without getting into a debate on the merits of this issue, please tell us which of your appropriation requests would have to be adjusted to offset the impact of the minimum wage.

Answer. The two programs that would be most affected by a minimum wage increase would be the JTPA Title IIB Summer Youth Employment and Training program and the Community Service Employment for Older Americans program under Title V of the Older Americans Act. Both are subsidized jobs oriented programs that pay wages based on Federal and State minimum wage laws. However, we believe that such increases would violate the Bipartisan Budget Agreement.

Question. If the minimum wage were raised from $3.35 to $3.85 in fiscal 1989, how much more would be needed to maintain summer youth and older Americans job opportunities at the level assumed in your budget request?

Answer. If the minimum wage were raised to $3.85 effective January 1, 1989, the Older Americans program would need an additional $14.9 million in PY 1988 and an additional $30.3 million for the PY 1989 program to maintain enrollment levels assumed in the FY 1989 budget. The Summer Youth Employment and Training Program would require an additional $92.5 million to maintain the Calendar Year 1989 program at the enrollment level assumed in the FY 1989 budget. Again, we would note that such an increase would violate the Bipartisan Budget Agreement.

Question. A number of States have already raised the minimum wage, effective this year. What impact will this have on the program year which starts July 1, 1988, for which funds have already been appropriated?

Answer. The Department recently issued planning instructions to the SCSEP sponsors for their Program Year 1988 grant applications. Those sponsors operating in States with increases in their minimum wage will indicate in their applications how they will tailor their 1988 programs to best accommodate this change. Each sponsor has its own mix of jobs, wage rates, benefits, hours worked, and turnover rates that will help determine its particular response. In some situations increases in state minimum wages might reduce the number of positions that are actually financed. However, we would expect that the average enrollment will still continue at or above the number of positions budgeted by the Congress. This is due to actual costs averaging less than the $5,111 at which the program is budgeted.

CUT IN SERVICES TO DISADVANTAGED YOUTH

Question. Your budget proposes to "freeze" job training block grant funding at last year's level of $1.8 billion, which will require a reduction of 28,900 unemployed persons currently being served. At the same time, you propose adding 705,000 participants in job training of "dislocated workers." Why are you asking of cutbacks in existing programs serving disadvantaged youth and the long-term unemployed?

Answer. The reduction in the block grant program serving the disadvantaged is minimal. The requested level plus carryin is sufficient to maintain the block grant program at close to the same participant levels as in PY 1988. We hope, of course, that the increase for assisting dislocated workers will reduce the number of long term unemployed. The JTPA program will be serving more of those needing help if the Administration's request is enacted.

Question. Wouldn't it make sense to shift about $50 million of the $600 million you are proposing to expand worker readjustment programs, in order to at least maintain current services levels on the job training block grant?

Answer. The amount requested for the new worker readjustment program is the total required to serve all dislocated workers requiring assistance throughout the year. Any reduction to maintain other programs at prior year operating levels would represent a lessening of this commitment, at the same time providing a relatively small increase above the present request for the block grant program.

Question. Isn't it true these block grant funds can also be used for retraining dislocated workers?

Answer. Dislocated workers can be trained with II-A funds if they meet the income criteria. Whether II-A funds are used for this purpose is determined by the local private industry council. Likewise, almost one-third of the individuals who have participated in Dislocated Workers programs were economically disadvantaged and eligible under Title II-A block grant program.

APPRENTICESHIP

Question. The Labor Department recently announced an "apprenticeship 2000 initiative," looking at apprenticeship as a key area of developing a skilled workforce. What leverage does the Labor Department have to strengthen and expand the apprenticeship system, which is essentially operated by management and unions on a voluntary basis?

Answer. The apprenticeship system is essentially a voluntary program operated by program sponsors. A program sponsor may be the traditional joint labor-management committee, an individual employer or a group of employers, including not only private employers but also governmental agencies and the military. Apprenticeship programs are registered with the Bureau of Apprenticeship and Training or, in about half the States, with the State Apprenticeship Council which has been recognized by the Secretary of Labor to register apprenticeship programs.

While the program is voluntary, programs must meet the criteria outlined in the Department's regulations to be registered. These regulations are designed to: ensure programs protect the welfare of the apprentice; provide adequate training (both classroom and on-the-job) that leads to journey level status in a skilled occupation; and, ensure equal employment opportunity in apprenticeship training.

The current program does provide the Department with leverage in terms of establishing programs that meet Federal criteria and in overseeing their operation to ensure the program maintains its standards and complies with equal opportunity requirements. Additional incentives to expand apprenticeship incentives are provided to program sponsors under the Davis-Bacon Act, veterans training benefits and other training programs such as JTPA, Job Corps, and vocational education. In addition, the Department can currently expand apprenticeship programs through promotional activities and by providing technical assistance to potential sponsors in establishing and maintaining programs.

We recognize that additional leverage might be necessary to make any significant alteration in the apprenticeship training concept. This might require regulatory and possibly legislative change. Both of these options are possible outcomes of the apprenticeship initiative.

The Apprenticeship 2000 initiative is a public review of the apprenticeship training concept to review its current operation and determine its role in meeting America's future training needs. The Department will be exploring a wide-range of options concerning the apprenticeship concept. Recommendations for the future of apprenticeship training will be developed after broad public input and from research the Department plans to conduct. It is still early in the initiative process and no recommendations have been made.

Question. What progress is being made to open opportunities for women in unskilled trades that have historically been male dominated?

Answer. The Department's regulations governing equal employment opportunity in apprenticeship programs were amended in 1978 to include provisions requiring affirmative action for women.

A goal of these regulations is to increase female participation in apprenticeship programs. The Department's Bureau of Apprenticeship and Training and the State Apprenticeship Councils work closely with program sponsors in developing affirmative action programs and overseeing implementation.

We believe there has been some progress with additional work to be done. Traditionally, the occupations with most of the apprentices are the construction/building trades, areas where women have not been employed in large numbers. This fact is also reflected in the number of women apprentices. As recently as 1972, only .6 percent of apprentices were women. From 1977 to 1987, the percentage of female apprentices has increased from 2.2 percent to 6.8 percent. There are now more women in apprenticeship than in the construction trades overall. In 1987, 1.9 percent of construction trade workers were women while 4.4 percent of the apprentices in this industry were women.

Question. What is being done to foster closer relationships between vocational education and apprenticeship?

Answer. The Carl D. Perkins Vocational Education Act of 1984 requires cooperative actions between vocational education and apprenticeship. Following are some of the specific actions taken to foster such cooperation.

o An interagency agreement to promote apprenticeship programs was developed and signed by the Secretaries of Labor and Education.

o The Assistant secretary of Labor for Employment and Training and the Assistant Secretary for Vocational and Adult Education established a National Apprenticeship/ Vocational Education Coordinating Steering Committee.

o On July 17, 1986, 55 joint letters were sent from the Secretaries of Labor and Education to each State/Territorial Governor encouraging them to establish State apprenticeship/vocational education coordination steering committees and to identify a contact representative. In response, 33 State apprenticeship vocational education coordinating steering committees have contact representatives identified.

o A Technical Assistance Guide was prepared to assist State and local officials in developing linkages between apprenticeship and vocational education.

o Officials from the Employment and Training Administration and the Office for Vocational and Adult Education continue to meet on a regular basis and speak jointly at public meetings and conferences. Vocational and Adult Education officials are taking an active role in the Department's Apprenticeship 2000 review.

o Bureau of Apprenticeship and Training field staff coordinate apprenticeship activities with vocational education offices at the State and local levels. Many written agreements have been signed which provide for greater cooperation, particularly with respect to improving the related instruction provided to apprentices.

STATE-BY-STATE JOB TRAINING FORMULA ALLOCATIONS

Question. Even though Congress maintained job training block grant funding at approximately current levels nationwide, it appears 13 States will suffer cutbacks of 11.5 percent. At the same time, some States will apparently receive large increases of up to 41 percent.

In the summer youth program, which Congress increased by 18 percent, some States will get only 6 percent increases, while several States will get 40 to 70 percent increases.

In the Dislocated Worker Program, State increases appear to range from a low of 3.7 percent to a high of 137 percent. Are such large shifts in funding justified by changes in unemployment, or should the statutory allocation formula be changed?

Answer. The formula for distribution of funds to States under Titles II-A and II-B is based on three factors: the relative share of unemployed individuals in areas with at least 6.5 percent unemployment; the relative share of unemployed individuals in excess of 4.5 percent; and the relative share of economically disadvantaged individuals. Under Title III, the formula is based on the relative share of total unemployed individuals, the relative share of unemployed individuals in excess of 4.5 percent, and the relative share of individuals who have been unemployed for at least 15 weeks. While the number of economically disadvantaged individuals, and thus the relative share of those individuals, is based on 1980 Census figures and remains constant from year to year, the other two factors in Title II and all three factors in Title III are extremely sensitive to changes in unemployment levels, especially as the economy improves and the unemployment rates in some States fall below 4.5 percent. This results in a significant shift in allotments toward those States not yet enjoying the same economic prosperity, tempered somewhat, in Title II at least, by the requirement that no State receive less than 90 percent of its prior year share of the allotments. Under Title III, State funding needs not met through formula allotments may be partially addressed through discretionary awards from the 25 percent National Reserve account.

The Department has examined the issue of the statutory allotment formula, and has proposed legislative language to modify the allotment formula for Title II-B. That proposal would eliminate unemployment as a factor, thereby more closely targeting funds to States based on the relative number of individuals eligible for the program, and reducing the magnitude of the shifts in funding that you have noted. Studies have indicated that II-A funds are equally mistargeted.

CONCENTRATED EMPLOYMENT PROGRAM

Question. You are proposing to terminate funding, earmarked for several years in appropriations bill language, for Rural Concentrated Employment Programs (CEPs). What impact do you expect this will have on program operations of these four CEPs?

Answer. The earmarked appropriations for the Rural Concentrated Employment Programs (CEPs) have provided funds in addition to amounts that are available under the formula allocation requirements in Titles II-A and II-B of the Act. This preferential treatment is not extended to other service delivery areas throughout the Nation, many of which have needs equal to those of these four selected geographic areas in Kentucky, Minnesota, Montana and Wisconsin. The earmarked amounts have been sufficient to offset any reduction in funding that would have otherwise resulted from the formula allocation process. The effect has been that allocations to the CEPs stay the same or increase from year to year, without regard to relative changes in the local economy. Termination of these earmarked appropriations will therefore bring the total funds available in the four CEPs to levels that are comparable to the other service delivery areas, and allow for annual adjustments in the formula allocations based on local unemployment factors.

Question. What options are available, in the absence of earmarked Federal funding, to alleviate the impact of these CEPs?

Answer. The only other option would be to amend the JTPA formula allocation requirements to provide the increased funding.

Question. Provide for the record amounts currently available, from all sources of funds, for each of these rural CEPs, indicating the amount derived from the special Federal earmark.

Answer. The following table details the distribution of earmarked funds in comparison to the funds that were made available under the formula allocation process.

Program Year 1987

	Kentucky	Minnesota	Montana	Wisconsin	Total
Total II-A	$11,238,089	$4,676,943	$931,815	$3,498,259	$20,345,106
Governor's	6,326,450	3,418,677	424,813	1,643,518	11,813,458
Supplemental	4,911,639	1,258,266	507,002	1,854,741	8,531,648
Total II-B	3,470,790*	1,771,743	454,265	889,151	6,585,949
Governor's	3,470,790	1,484,336	426,384	820,738	6,202,248
Supplemental	0	287,407	27,881	68,413	383,701
Total	14,708,879	6,448,686	1,386,080	4,387,410	26,931,055
Governor's	9,797,240	4,903,013	851,197	2,464,256	18,015,706
Supplemental	4,911,639	1,345,673	534,883	1,923,154	8,915,349

* This formula allocation was in excess of prior year funding level, so no additional earmarked funds were necessary.

Note: The term supplemental refers to the amount allocated to the CEP under the appropriations language earmark.

DISLOCATED WORKER CARRYOVER

Question. Provide for the record a State-by-State list of expected carryover balances as of July 1, 1989 compared to each of the last three programs years, and indicate the percent of carryover balances to total availability.

Answer. We do not project State-by-State carryover balances. However, for budgetary purposes, we do project carryover balances on a national basis. In Title III, the Dislocated Workers Program, for the program year ending July 1, 1989, we estimate obligated carryover will be approximately $133 million or 35 percent of the total PY 1988 availability of approximately $380 million. This reflects a PY 1988 expenditure level of $248 million, a $29 million increase over the estimated PY 1987 level of $219 million. Expenditures may be higher if the new Worker Readjustment Program is enacted and PY 1988 funds are used for transition to the new program.

MIGRANT AND SEASONAL FARMWORKERS

Question. Congress increased funding for training of migrant and seasonal farmworkers to $65,572,000 in fiscal year 1988 appropriations, to help serve the expanded number of eligible farmworkers resulting from enactment of immigration reform legislation. This program also provides health care and day care for farmworkers who choose to stay in agriculture. Why should we go along with your request to cut funding for this program back to $57,904,000?

Answer. The policy for this program is to request resources at the level specified in the authorizing statute. The additional funds provided by Congress for 1988 beyond those statutorily required by JTPA were to meet initial increased demands for services under the Immigration Reform and Control Act of 1986. The Department is unaware of any long term significant increase in caseload that would support the 1988 enacted level.

Question. Are you having any difficulty effectively using the $65,572,000 currently appropriated?

Answer. These funds are not available until July 1, of this year.

Question. What percent of farmworkers eligible for this program are currently being served?

Answer. During Program Year 1987, which ends June 30, 1988, we expect this program will serve approximately 10.3 percent or 47,500 of the 462,153 estimated to be eligible for this program based on 1980 Census data.

TRANSITION TO NEW DISLOCATED WORKER PROGRAM

Question. Last year, the Committee included report language indicating its expectation that Dislocated Worker appropriations be reprogrammed to carry out replacement authorizing legislation, once enacted. Is Committee report language sufficient to permit you to automatically transition from the current dislocated worker program to the new one?

Answer. The Department's position is that transition provisions to carry out new replacement legislation should be included in the new authorizing legislation. We do not believe that report language would be sufficient to permit all of the transition activities necessary to fully implement the new program on July 1, 1989.

REMEDIAL EDUCATION IN THE SUMMER YOUTH PROGRAM

Question. The Job Training Partnership Act Amendments of 1986 require that service delivery areas (SDAs) (1) establish written program goals and objectives to be used in evaluating the effectiveness of the summer youth program and (2) assess the reading and math levels of all program participants. How is the Labor Department monitoring compliance with these requirements of the Act?

Answer. Under JTPA, States are given the responsibility of monitoring the operation of programs at the SDA level to assure compliance with all the requirements of the Act. The Labor Department in turn monitors the States to assure compliance. Specifically, regarding the requirements for written goals and objectives and for the assessment of the all participants in programs under II-B, the Department requires that the Governor's Coordination and Special Services Plans submitted by States reflect the implementation of these two provisions. States have also been instructed to review SDA plans to assure that these provisions are adequately addressed. The Department then conducts on-site monitoring of the II-B program in every State each summer to assure that these requirements, as well as the other provisions of the Act, are being adequately addressed.

Question. GAO reported that about half of the SDAs believe they received insufficient guidance from the Department of Labor or their State about what a good remedial education program should be like. What has the Department done to alleviate this situation?

Answer. Because JTPA programs are developed by States and local areas to meet their particular needs, the Department has restrained from prescribing the requirements of a remedial education program which can be characterized as good. Instead, it has provided States and SDAs with technical assistance materials which discuss various appoaches and program models which are being used successfully by local SDAs to provide remedial education to participants. A significant technical assistance effort along these lines was a series of eight regional Summer Enrichment Training Institutes which were conducted across the country during February and March of this year. The institutes' agenda was designed to provide SDA practitioners with a solid grasp of the basic program design and implementations issues associated with the integration of educational enrichment activities into summer youth programs.

Question. In reponse to a GAO report, the Labor Department expressed concern that, because of the apparent excess of summer jobs, youth may not be interested in participating if the job offered required that they obtain remedial education. The Department indicated that it would be assessing this situation. What did the Department learn from this effort?

Answer. The Department will continue to assess the effects of remedial education coupled with work experience on youth participation in the summer program. Last summer was the first program year in which remedial education was required to be provided. As such, assessment results are incomplete. The 1988 summer program reviews should yield more useful information on this subject. In addition, the Department has also requested that GAO include this issue in its follow-up review of the summer program.

PROGRAMS FOR DROPOUTS

Question. A sizable portion of job training block grant resources are directed to programs for youth who have dropped out of school. What have been the education, employment, and earnings experience of these youth 6 months following program entry and about 9 months later? If this information is not now available, when does Labor expect to obtain it?

Answer. The Department has no data on those items at this time. Later this year, we expect to have longitudinal survey data for the first 2 years of JTPA. This will give us data on youth dropouts at 12 and 21 months following entry into the program.

Question. What have been the principal shortfalls in program services for school dropouts?

Answer. There are three general areas of assistance which youth dropouts need--basic reading and math skills, job finding and workplace skills, and specific occupational skills. We believe that we must constantly strive to improve our efforts in these areas.

Question. A major difficulty for most school dropouts is that they have fallen far behind in reading and other needed education skills. To what extent have job training block grant programs improved dropout youths' literacy skills?

Answer. There has been no systematic measurement of improvement in literacy skills by school dropouts in JTPA. What we can indicate is that there has been concerted effort to increase the quality and quantity of basic skills instruction in the JTPA system, especially for dropout youth. This new emphasis has come through the performance standards and planning instructions for Program Years 88-89 and through technical assistance and training efforts.

We are initiating new reporting requirements for this period which will significantly help in this area. Reports will now identify the number of participants who had reading deficiencies at entry into the program, as well as the number of youth deficient at entry in reading or math who become sufficiently competent in those areas to become employed as a result of the program.

Question. What new projects that focus on dropouts are being considered?

Answer. ETA has just this month announced grant awards to seven cities for replicating High School Redirection, which is a highly successful alternative school in Brooklyn, New York. This demonstration will provide for the establishment of new schools in each of the seven grant sites. These schools will emphasize service to at-risk youth, including chronic truants, youth offenders, teen parents, and youth reading at very low grade levels. A special feature of these schools will be an intensive reading and language arts components for youth with severe reading problems. Such schools are a link between the education and Job Training Partnershp Act (JTPA) systems providing a common service delivery agent to which both schools and JTPA service delivery areas can refer youth in need of intensive, long-term remedial education. Cities awarded grants for this demonstration include Los Angeles, Detroit, Cincinnati, Denver, Newark, Stockton, and Wichita. Other demonstration projects relating to the school dropout problem that ETA will focus on include the Summer Training and Education (STEP), Jobstart, and New Chance model for serving teen parents who have dropped out of school.

QUALITY OF ON THE JOB TRAINING

Question. Concerns have been raised recently by the Congress and within the employment and training community that employers may be providing Federally funded on-the-job training (OJT) only as a means to subsidize a portion of their payroll. In so doing, they may be engaging in abusive practices such as hiring workers only for the period of training and then firing them and providing training in low skill positions for excessive lengths of time. What assurance do you have that the length of on-the-job training contracts are commensurate with the level of skill training provided?

Answer. For many years, on-the-job training has been an important staple among the activities offered by the training and employment system. It provides employer-based, job specific training for participants and generally yields very high entered employment and retention results. For training JTPA participants in primarily entry-level jobs, an employer is reimbursed for the extraordinary costs associated with additional supervision, lack of productivity, and loss of materials.

On-the-job training agreements are negotiated with employers by local entities under JTPA. Typically, the duration of these agreements is predicated upon the skill level of the job, the characteristics of the participant and other factors related to the training program. The skill level of the job, which is the most important factor in determining the length of training, is usually ascertained by using the Dictionary of Occupational Titles and corresponding Specific Vocational Preparation (SVP) code. While the length of training in absolute terms may not directly correspond to that based upon the SVP codes, it will usually correspond in relative terms when compared to other jobs. This process, coupled with the fact that OJT contracts are negotiated in the context of the JTPA performance standards, tends to assure that the OJT agreement will reflect the training needs for the job.

Question. How do you assess the quality of on-the-job training?

Answer. The Department does not specifically assess the quality of on-the-job training programs conducted at the local level. This is the responsibility of each Governor. However, in light of the preceding points, it is our opininon that on-the-job training is an effective program strategy under JTPA.

Question. Are the States doing an adequate monitoring job to prevent abusive practices?

Answer. From all indications, the States are doing an adequate job of monitoring to avoid abusive practices of on-the-job training programs. It should be noted that local program operators have a vested interest in conducting effective programs and will not want to continue training relationships with employers who appear to be abusing the system.

"CREAMING" PROBLEM IN JOB TRAINING

Question. In a recently published book "A Second Chance: Training for Jobs", the authors say "many poor individuals who require income and support services are excluded from JTPA" (the Job Training Partnership Act). Yet, a General Accounting Office survey found that job training projects utilize only half the amounts allowed by law for support services such as transportation, child care, medical assistance, and stipends. Do you think the Labor Department should be doing more to encourage expanded support services to job training participants who need the most help?

Answer. The Department views the primary objective of programs under the Job Training Partnership Act (JTPA) to be that of training individuals for jobs in the private sector. Participant support services, including needs-based payments, while important, are clearly secondary to this objective and should be provided only in conjunction with training.

The framework of JTPA is that program design is developed locally, to best fit local labor worker conditions and meet local needs. The kinds and levels of participant support services provided fall within this local decision framework.

In fact, reports from the job training system indicate that expenditures in the participant support category, at around 11 percent of service delivery area expenditures, are within the 15 percent limitation and are probably sufficient to meet local needs related to the provision of training. For these reasons, the Department does not plan at this time any special efforts to encourage expended support services on the part of the job training system.

Question. Has pressure to achieve high placement rates led to "creaming" -- selecting the most qualified applicants and excluding those most in need? How would you know if local job trainers are weeding out the functionally illiterate and most unskilled applicants?

Answer. To date, the job training system has been successful in serving the economically disadvantaged for whom services were intended under the Act. Recent survey information indicates that around 94 percent of JTPA participants are economically disdvantaged. Further, in reviewing JTPA reports we note that the characteristics of JTPA terminees show that the levels of adult and youth terminees who are dropouts and welfare recipients have been in the range of 25-30 percent. The Department's view is that there can be improvement in this area. To this end, in developing the new planning instructions and performance standards for Program Year 1988 and 1989, the Department has encouraged increased service to those at risk of chronic unemployment.

OLDER AMERICANS/UNIT COSTS

Question. The average per enrollee cost for the Title V Senior Community Service Employment program has remained at $5,111 for approximately seven years. Yet, Title V operating costs, such as rent, phone costs, worker's compensation, Social Security payroll taxes for enrollees, and many other items, have risen during this time frame, and in many cases quite substantially. Why has not the Department of Labor made any adjustments in the per enrollee cost during this period?

Answer. The Department has not proposed increasing the budget unit cost of the program, because actual costs of program sponsors are averaging less than the budgeted $5,111 per enrollee.

Question. Does it plan to adjust the per enrollee cost in the near future?

Answer. We do not plan to raise the average unit cost at this time. However, we will continue to assess reported actual costs to determine program needs.

TRADE ADJUSTMENT ASSISTANCE

Question. You are not requesting any funds for retraining workers under the Trade Adjustment Assistance program, on the assumption it will be replaced by new legislation. Unlike the Dislocated Worker program, however, there does not appear to be any carryover funds to keep trainees enrolled after September, 1988. Do you realistically expect a replacement worker retraining program to be enacted, funded, and fully operational by September, 1988?

Answer. The budget includes $38 million of spending for TAA training in 1989. However, as things now stand, we believe that the new worker readjustment and retraining program will be enacted into law by September 1988. We have every expectation that the new program will be fully operational on schedule, July 1, 1989, which is the beginning of the 1989 Program Year. Funding will be provided through Fiscal 1989 appropriations.

Question. Doesn't it make sense to keep funding the Trade re-training program in fiscal 1989, to avoid disruption of services to thousands of enrollees? You could then reprogram these funds if replacement legislation is enacted.

Answer. There will be a transition period moving toward implementation of the new program in Program Year 1988 (July 1, 1988-June 30, 1989), during which trade-impacted workers will be eligible for retraining and other readjustment services under the JTPA Dislocated Worker Program for which $287 million was provided in 1988.

TITLE IV SPECIAL PROJECTS

Question. How has the Department responded to the concern the Committee had last year about funding the Title IV Special Projects provision in a timely manner?

Answer. During the present program year, the Department has issued several competitive solicitations to generate a variety of projects specifically designed to serve persons with multiple barriers to employment. Among those are projects which focus on handicapped persons and displaced homemakers.

HOMELESS JOB TRAINING

Question. You are not requesting continuation of the $9.6 million appropriated for homeless job training projects in fiscal 1988. If this program is not renewed, how do you expect to address the job training needs of the homeless--especially since your budget shows a declining level of enrollees under job training block grant funds?

Answer. The conference report on the McKinney Homeless Assistance Act indicates that homelessness is an ongoing problem that will not be solved by a short-term demonstration program. The Congress intended that the homeless demonstration projects provide a source of information and direction for future job training programs. We believe that the programs we have designed with the fiscal 1988 appropriation will accomplish that.

Question. How do you intend to utilize the $9.6 million already appropriated for homeless job training demonstration projects?

Answer. The Employment and Training Administration has designed and is implementing a competitive grant program open to State and local public agencies, private nonprofit organizations, and private businesses. This solicitation was published in a Federal Register notice on April 19, and we expect to award approximately 25 grants nationwide by late summer. Projects will be sought that provide basic skills instruction, remedial or basic literacy instruction, job counseling, job search, job training, or other appropriate activities. Applications must contain coordination and outreach plans, and describe plans to offer in-shelter assessment and pre-employment services where practical to enhance project participation by homeless individuals. They must specify performance standards, and assure that a preliminary project evaluation will be done after a year of funding. ETA is also conducting a national evaluation across all grantee projects and will prepare a final report by April 1, 1990.

In addition, a portion of the appropriation is being used to provide for Homeless Veterans Reintegration Projects. This program, as required in Section 738 of the McKinney Act, is administered by the Office of the Assistant Secretary for Veterans' Employment and Training (OASVET). Its program design and implementation schedule is similar to that of ETA's grant program, except that applications for project grants are basically limited to State and local public agencies in the 25 largest U.S. cities.

Question. What special attention is being given to the problems of homeless families and veterans?

Answer. As specified in Section 738 of the McKinney Homeless Assistance Act, the Department is operating a special program for homeless veterans. Under ETA's grant program, applicants may propose to emphasize assistance to subgroups within the overall homeless population, such as families with children.

TRAINING OPPORTUNITIES FOR PERSONS WITH DISABILITIES

Question. What programs for disabled persons does the Employment and Training Administration currently fund? What is the funding history of those projects over the past five years?

Answer. The information follows:

Programs for Disabled Persons

	Annual PY 83-86 Funding Level	Annual FY87 Funding Level
Mainstream, Inc.	350,000	360,500
National Association of Rehabilitation Facilities	300,000	309,000
Electronic Industries Foundation	289,000	297,670
Goodwill Industries	512,000	527,360
Association for Retarded Citizens	1,160,000	1,194,000
Epilepsy Foundation of America	695,000	715,850
National Federation of the Blind	244,000	512,320
National Multiple Sclerosis Society	206,000*	206,000
International Association of Machinists - Center for Administering Rehabilitaion Employment Services	260,000*	267,000
Workplace Literacy Training for the Handicapped (Literacy Volunteers of America, Inc.)	95,255*	143,500

* Initially funded in PY86

Also, with the Department of Health and Human Services, DOL is funding several programs to develop model ways to serve the developmentally disabled ($85,921). In addition to all the previously mentioned demonstration activities, two research projects are in progress: a survey of education and training needs of disabled Americans (International Center for the Disabled, for $50,000) and an international study of policies and practices toward persons with disabilities (Organization for Economic Cooperation and Development, for $47,084).

Question. What plans does the Department have to increase emphasis on special target populations such as persons with disabilities?

Answer. Departmental plans call for the implementation of several new projects that will address the training and employment problems of groups such as the learning disabled, handicapped persons having inadequate workplace literacy skills, displaced homemakers, offenders and public housing residents.

Question. It is our understanding that current projects serving disabled persons were not allowed to submit applications for partnership enhancement grants that were issued in January. Why were these non-profits not included in the solicitation for grant applications?

Answer. There are several categories of JTPA partners. To meet the customary wide variety of pilot and demonstration needs and obligations, we did not feel that sufficient funds remained to enable us to have a competition among all of our long-standing partners. Thus, the solicitation in question was limited. However, organizations representing the disabled were not the only ones affected.

CUT IN LOCAL EMPLOYMENT SERVICE OFFICES

Question. One of the reasons cited in your budget justification for cutting Employment Service activities is that extra funds are anticipated from the proposed new Worker Readjustment program. What assurances do you have that the Employment Service will actually get an earmark from legislation that is still in conference, as part of the trade bill?

Answer. We don't anticipate that funds in the trade bill will be "earmarked" for the public employment service. We do expect the public employment service will participate on a reimbursable basis in skills assessment, job counseling, and job search assistance provided to dislocated workers.

Question. Does it make sense to cut the Employment Service before we know if new trade legislation will be enacted, or if funding will be sufficiently increased to offset your proposed cuts?

Answer. The Department's request for Wagner-Peyser grants to States presumes enactment of a new Worker Readjustment Assistance Program financed at a level far larger than that previously available for dislocated worker programs. We would expect that Congress would also want to consider this major new initiative when deciding the amount which should be made available to States for Employment Service activities, many of which are identical to those financed through the new program.

Question. What "efficiencies" do you expect States to achieve in fiscal 1989, and how much do you anticipate this will save the Employment Service?

Answer. While States are developing more efficient service delivery through the use of automation, reorganization, and improved interagency cooperation, it is very difficult to quantify the savings attributed to these changes because there is no uniformity among States. A significant number of States use computers to improve the orientation of job applicants to the labor market and speed job search by self-directed methods. A trend toward improved cooperation among training and employment programs is emerging in some areas where services are co-located and jointly administered. Formal and non-formal agreements among the public employment service, vocational rehabilitation, JTPA, and welfare agencies are providing the basis for sharing applicant and labor market information that is essential to efficient operation.

TARGETED JOBS TAX CREDIT

Question. You are not requesting funds to administer the Targeted Jobs Tax Credit program, for which $30 million was appropriated in fiscal 1988. How can the Employment Service absorb the cost of this program, when its basic budget is being cut?

Answer. The legislative authority for the Targeted Jobs Tax Credit program expires on December 31, 1988, while the proposed ES reduction takes effect July 1, 1989. We believe there are sufficient funds carried in the Employment Service system to support this program through the first quarter of FY 1989 without supplemental funding.

Question. What does it realistically cost States to administer the Targeted Jobs Tax Credit?

Answer. The cost of administering the program is principally staff time. Many States rely on a personal interview of each potential TJTC eligible to establish eligibility. Often this requires a followup contact to obtain necessary information or signatures. Verification of the information, evidence and processing (required for a 10 percent random sample to assure quality) is a further staff intensive action. However, some States routinely combine the TJTC interview process with the application taking process under the Wagner-Peyser program for labor exchange. Other States use mail-in procedures that reduce or eliminate the frequency of interviews. As a result of these variations among States, the Employment and Training Administration does not have separate data for the cost of TJTC certification.

Question. Do you have any doubt the Congress will re-authorize this program beyond its December 1988 expiration date?

Answer. The Department cannot predict Congressional action on re-authorization of the program.

CUTBACKS IN EMPLOYMENT SERVICE FUNDING

Question. For the past several years, the resources available to Employment Service offices have been declining and so have the services available to applicants. Many offices no longer provide applicants vocational counseling, individualized job development, job search, or skill training. Have the number of applicants with barriers to employment, such as older workers, youth, dropouts, and the economically disadvantaged, being placed into jobs through the efforts of the Employment Service declined in the past 5 years?

Answer. With the advent of decentralized management, contained in the 1982 Wagner-Peyser amendments, the Department of

Labor does not specify target group goals for States nor impose costly reporting burdens on the States to compile and submit such data.

The intent of decentralization is to permit States to manage their resources in a manner that best addresses local labor market conditions. States, now, have broad latitude to determine employment services activities and staffing levels in response to the needs of target groups in their areas. In addition, the Employment Service may coordinate with other deliverers of employment and training services to assure that the special needs of such groups are being addressed.

Question. To what extent have the number of local Employment Service offices and staff declined in the past 5 years?

Answer. The Department does not compile data on the number of local offices maintained by the States. States decide the number of offices required to maintain a statewide employment service system that is in compliance with the authorizing legislation.

STATE EMPLOYMENT SERVICES

Question. Could you explain why the number of individuals receiving counseling services in the Employment Service has been reduced in half since 1981, despite having roughly the same number of applicants?

Answer. States determine their own staffing patterns and priorities for the type and level of employment services, based upon State and local labor market conditions. The extent of counseling provided by the ES in any State is a function of its assessment of the needs of local jobseekers.

Question. Are State Occupational Information Coordinating Committee sponsored Occupational Information Delivery Systems being used in Employment Service offices?

Answer. Computer based Career Information Delivery Systems (CIDS), sponsored by State Occupational Information Coordinating Committees are established in 46 States. These systems served 6-8 million people in PY 1986 at approximately 15,000 sites nationwide.

Most of these sites are found in local schools or other institutions which provide career development services.

The National Occupational Information Coordination Committee (NOICC) reports that CIDS can also be found in 329 local Job Service offices in 22 States.

Question. What steps have been taken to develop and implement State Job Bank Systems to facilitate the exchange of Employment Service job openings and labor market information?

Answer. All State Employment Security Agencies (SESAs) except in the Virgin Islands operate a daily computerized listing of job openings in labor market areas, and at least weekly a State Job Bank listing. Many use on-line technology for all or part of the local offices in the State. Some use computer job matching to bring qualified applicants together with appropriate job opening information. We believe that almost any labor exchange function can be fully or partially automated. Much of this innovative software is now available to most SESAs. A final example of the variety of job bank activities underway in the States are the automated resume systems in use in the States in Region V (Chicago) and in Missouri.

To encourage additional activity in this area, the Employment and Training Administration and the Veterans Employment and Training Service are jointly funding a pilot project in five States in the mid-Atlantic area to demonstrate computerized applicant job search, employer automated job order input and applicant data browse. This 18 month project will link, via telecommunication, areas of labor supply and demand. Successful experiences will be shared with other States.

In addition, the Employment and Training Administration is preparing to fund a study of automated networks existing in other systems which may be adaptable for area, State and interstate labor exchange and labor market information.

UNEMPLOYMENT INSURANCE NON-PERSONAL SERVICES

Question. My State indicates it receives the lowest rate of expense money in the Nation to cover rent and other non-personal services costs, forcing it to further cut staff to meet these mandatory costs. How many other States are experiencing a shortfall in non-personal services funding, and why is Florida at the bottom?

Answer. The current formula used by the Department each year to allocate non-personal services (NPS) funds to States was developed for the FY 1984 allocations. The change in methodology adopted in 1984 was necessitated by amendments to the Wagner-Peyser Act which required separation of Employment Service and UI funding. The initial determination of these costs for FY 1984 was based primarily on budgets submitted by the States at that time reflecting State specific information on costs for FY 1983. The NPS allocation for each subsequent year has increased the NPS rate by a national inflation factor plus adjustments for any increases or decreases in staff. Florida's low NPS rate traces back to the NPS rate developed for FY 1984 and is a result of the budget submitted by the State at that time which reflected a comparatively low NPS cost per staff year.

The Department does not have data available which would identify States with NPS shortfalls. The short-term changes resulting from the Unemployment Insurance administrative finance initiative have enabled many States to convert funds allocated for staff costs to non-personal services resources. This type of flexibility alleviates non-personal services funding problems in many States.

Question. What can be done to allocate a fairer share of resources to rapidly growing States such as Florida, which are forced to pay the Federal Government far more in unemployment taxes than they receive back to cover costs?

Answer. The purpose of the present arrangement for funding of State UI administration, as expressed at the time of the adoption of the program, in the Social Security Act of 1935, is to provide grants to States to meet their necessary costs. This approach was designed to ensure that all States would not be placed in an adverse competitive relationship with other Stats because of high UI administrative costs caused by such factors as geography and seasonal or economic patterns.

Accordingly, there has been no effort to relate administrative grants in a State to Federal Unemployment Tax Act (FUTA) taxes paid by its employers. Under the present system, all employers in all States pay a uniform FUTA tax to make up a pool from which grants are made to States based on an evaluation by the Department of amounts needed for "proper and efficient administration". For a few States, administrative grants far exceed the taxes paid over time by their employer; for another few States, taxes far exceed the amount of their grants; for most States, over time, taxes and grants are roughly equivalent.

Because a number of States have expressed concerns in the last few years about the amount of Federal grants provided to States for costs of unemployment insurance administration, the President's FY 1988 Budget proposed legislation to decentralize authority, financing and responsibility for administering State UI programs to the States. However, the Department is also looking at other alternatives to the current administrative financing system should this legislation not be enacted.

COST MODEL IN UNEMPLOYMENT INSURANCE

Question. The Department of Labor currently allocates funds for individual State administration of unemployment insurance through the use of an elaborate "cost model" based on productivity data measured from individual State program activities. The Department has recently ceased updating the data necessary for the cost model to produce accurate UI funding allocations. Why has the Department stopped the collection of the data necessary for the accurate use of the allocation cost model?

Answer. The Department has had concerns about the validity of the cost model data for some time. Over the last ten years the Department has funded eighty to eighty-five percent of the studied costs. Program performance as indicated by the performance data has continued to improve during this period. Under these circumstances, the accuracy of such a time measurement system has to be seriously questioned.

Question. How will the Department ensure a fair and equitable State funding allocation for UI administration without using the most current productivity data from the States?

Answer. The President's FY 1988 Budget proposed legislation to decentralize authority, financing and responsibility for administering State UI programs to the States. However, the Department is also looking at other alternatives to the current administrative financing system should this legislation not be enacted. Consistent with this approach, resources previously targeted for the cost model are being used to develop an integrated budget formulation and administrative grants allocation methodology for the UI system. Cost model data for FY 1987 will be used for the allocation of UI administrative funds to States until legislation is enacted or a new methodology is developed and put into place.

DECENTRALIZING UNEMPLOYMENT INSURANCE ADMINISTRATION

Question. In its plans to shift further financial responsibility for unemployment insurance administration to the States, the Department of Labor proposes eliminating the $1 billion Employment Security Administration Account. Would the account balance be distributed to the States, and does the administration plan to reduce the federal employer payroll tax?

Answer. The President's proposed Trade, Employment and Productivity Act of 1987 contains a proposal subtitled "Employment Security Administrative Financing Act of 1987", which addresses the administration of the Federal-State unemployment compensation program and the administrative financing of the employment security programs. Under the proposal, the Federal taxes now collected for the purpose of funding State administrative costs would no longer be collected on wages paid after December 31, 1989. States would have the responsibility for collecting the Federal Unemployment Tax Act (FUTA) tax applicable to wages paid beginning January 1, 1990. The FUTA tax would remain at 6.0 percent, but the maximum amount of offset credit for which employers may qualify would increase to 5.89 percent, leaving a net permanent FUTA tax of 0.11 percent. These FUTA tax receipts would be credited to a new Federal Administrative Account (FAA) established for this purpose to replace the existing Employment Security Administration Account (ESAA). The balance remaining in the ESAA after December 31, 1989, would be used to fund State administrative costs until June 30, 1990, when States would have the responsibility to provide funds necessary for the administration of their State UI programs.

Question. What responsibilities would the Department of Labor maintain after decentralizing the administrative funding of unemployment insurance?

Answer. Under the proposal, the Department would continue to provide Federal funding for Federally mandated programs and activities, national statistical programs, and 50 percent of the costs of the administration of the extended benefit program. The Department would also continue its oversight responsibilities for all existing conformity and substantial compliance requirements, except provisions which are directly related to administrative grants or otherwise obsolete.

QUALITY OF UNEMPLOYMENT INSURANCE SERVICES

Question. In the past, State unemployment insurance administrators have claimed that sustained Federal underfunding of unemployment insurance administrative activities has resulted in the deterioration of services to claimants and to lost trust fund monies due to reduced State tax collection abilities. Despite these charges concerning service quality, the Department of Labor is now reviewing its quality appraisal standards with the aim to eliminate any appraisal measures it considers unnecessary or ineffective. How much and what king of oversight or monitoring of State unemployment insurance service quality would be required by the administration's plan to decentralize unemployment insurance administration?

Answer. The Department would continue its oversight responsibilities for all existing conformity and substantial compliance requirements, except provisions which are directly related to administrative grants. The Department would continue to monitor program quality with an emphasis on UI program outcomes.

Question. What role is planned for the Department's current quality standards?

Answer. Because its oversight responsibilities for the program would not change under the Department's proposed UI decentralization plan, the Department has initiated a comprehensive review of the current UI performance measurement system. The objective of this review is to identify key program outcomes, both timeliness and quality, which will measure SESA performance in carrying out the basic UI objectives of paying benefits to claimants when due and collecting taxes owed by employers.

GROWTH IN PART-TIME WORKFORCE

Question. The press has reported that businesses are greatly expanding reliance on part-time and temporary workers, who are not unionized, and do not require promotions, raises and fringe benefits. By the year 2000, what percentage of the workforce will be so-called "contingent" workers, with no pensions or medical benefits?

Answer. About 20 million persons worked part-time in March 1988, which accounted for 17.4 percent of total employment. Of these 20 million, 73 percent worked part-time by choice. Despite reports in the popular press, part-time jobs are not increasing relative to full-time employment. According to BLS statistics, since 1982, over 90 percent of the net increase of the 16 million new jobs have been in full-time positions. While it is impossible to project the future mix of full and part-time employment opportunities, the projected slowdown in the rate of increase in female labor force participation does not suggest any disproportionate reversal from recent trends.

The Bureau of Labor Statistics has recently compiled employment projections by detailed industry to the year 2000. Temporary or "contingent" workers are classified as "Temporary Help Supply Services" employment and included at the 3-digit Standard Industrial Classification (SIC) level under Personnel Supply Services. According to the BLS moderate growth projections, employment in Personnel Supply Services is projected to increase from 1.0 million in 1986 to 1.9 million in 2000, for an annual average rate of increase of 4.4 percent. Employment in Personnel Supply Services represented 0.9 percent of total employment in 1986 and is projected to represent 1.4 percent of total employment by 2000.

According to the 1983 Current Population Survey (May Supplement), 9 percent of part-time employees had pension coverage and 14 percent had health benefits. Due to subsequent changes in the law, these percentages may increase. As a result of changes enacted in the Retirement Equity Act of 1984, an employee who works 1,000 hours or more per year for a firm with a qualified pension plan must, in general, be credited with a year of service, which counts toward eligibility and vesting in the employer's pension plan. The law also made other changes in the pension rules which are intended to make it easier for part-time and temporary workers to become vested. Moreover, under the Tax Reform Act of 1986, an employee who normally works 17.5 hours per week or 6 months a year, must in general, be included in determining employer compliance with non-discrimination rules for welfare benefits such as health insurance. Although the Department does not have an estimate of the effect of these changes, some increase in coverage of part-time employees is likely. Finally, it is not accurate to assume that such part-time employees do not receive promotions or pay increases. The labor market conditions that establish wages for full-time workers would also apply to part-time and temporary employees. Employers who want part-time and temporary employees are going to have to pay competitive wages or they will be unable to maintain the level and quality of a workforce they need.

Question. Is this a good way to make American firms more competitive in world markets, or are you concerned about the growth of the "temporary" workforce?

Answer. This question is best addressed in terms of analyzing "temporary" workers in terms of both labor demand and supply. Much focus has been placed on the conditions under which employers prefer to use temporary labor supplied by a temporary help agency. For example, an employer with a fluctuating workload, particularly when unpredictable peak loads allow little time to recruit and hire directly, is likely to utilize this service. Also, if a need for additional workers is expected to be short term, a firm might find the costs involved in hiring, particularly those related to recruiting and training, to be excessive. The purchase of temporary help services allows the employer to incur labor costs for only the period of time during which the services are required. Obviously, any measures that firms undertake to increase productivity or reduce unit labor costs will help their competitive position, both domestically and internationally.

Just as employer demand for "temporary" workers may increase during times of uncertainty, many workers seek temporary employment due to transitory or uncertain circumstances. Such workers might include teachers and students out of school for the summer or other vacation periods, or persons entering or leaving the labor force gradually. "Temporary" work offers the benefit to many workers of a flexible work schedule and the opportunity to acquire needed experience, training and job market exposure.

Women with family responsibilities, for example, are particularly, attracted to temporary employment because it provides the flexible work schedules that allow them to reconcile work outside the home with family commitments. Women who reenter the labor force after a long absence may prefer temporary jobs until they are able to find suitable permanent employment. Employment through a temporary help supply agency enables them to test the market by sampling a range of work environments until they find the right employment situation.

Temporary employment is also appealing to young workers who want flexible schedules, allowing them to attend school, or the opportunity to work during vacations. Young persons who have little work experience may also be attracted to employment in temporary help agencies as a means of attaining higher paying permanent positions.

The Department of Labor has long encouraged flexible and alternative work schedules in order to accommodate the needs of both employer and employee. "Temporary" employment is one vehicle to help address these needs; a relatively small but growing niche responsive to both employee and employer. While recognizing the inherent benefits to employers and employees of such flexible work schedules, the Department will continue to enforce applicable statutes and regulations within our authority in order to prohibit unlawful practices. Recognizing the many benefits of "temporary" employment as noted above, the Department will ensure that it does not become a means to circumvent the law.

Question. Is this trend likely to widen the wage gap between men and women?

Answer. No, due to the demographic and labor market characteristics of "temporary" workers (see previous answer for detail), it is likely that the wage gap will not be adversely affected by the growth in "temporary" workers. In addition, while the "temporary" workforce is increasing, it is still projected to account for less than 2 million workers in the year 2000 out of a total employment level of 133 million. Demographic characteristics (such as age, education, labor force attachment, and occupation) of men and women and the overall economic climate are expected to dwarf any impact resulting from the growth of "temporary" employment.

SUBSTANCE ABUSE IN THE WORKPLACE

Question. In fiscal year 1987, Congress appropriated $3 million for a Labor Department study of drugs in the workplace. When do you expect to complete this study?

Answer. The Department of Labor study of drugs in the workplace is multifaceted and contains several initiatives. We anticipate that the earliest component of this study will be completed as early as August 1988, with the last part being completed in June 1989.

Question. Can you give us preliminary information about the incidence of substance abuse in the workplace, and the prevalence of programs to assist workers?

Answer. We are unable at this time to provide preliminary information about the incidence of substance abuse or the prevalence of programs to assist workers. We will make information available as the studies referred to above are completed.

Question. What contributions can the Labor Department make in the war on drugs?

Answer. The Department can make contributions in the war on drugs on three fronts: raising awareness on the part of both the user and the nonuser in the workplace of the impact of workplace drug abuse; collecting and disseminating information concerning workplace drug abuse and successful programs to address the issue; and motivating business and unions to take action to fight workplace drug abuse.

INTERNATIONAL WORKER RIGHTS

Question. How do you see your role in protecting the rights of workers outside this country? What specific actions have you taken to date?

Answer. We are firmly committed to working actively both domestically and internationally to promote respect for worker rights.

Here at home our federal and state laws provide American workers with a full range of rights, including freedom of association, the right to bargain collectively, protection against forced labor and child labor.

Internationally, we are working closely with other U.S. Government agencies to ensure effective implementation of worker rights provisions in existing legislation (such as the Generalized System of Preferences (GSP)), and to promote consideration through the General Agreement on Tariffs and Trade (GATT) and other multilateral organizations.

We see worker rights not just as a trade issue, but as a much broader international development issue -- one which requires a helping hand to assist developing countries. Some countries simply are not able to fully comply with international labor standards, not because of a lack of concern, but because they lack the expertise and resources to upgrade working conditions.

As for the ILO, its international labor standards serve as our "Bible" when we review worker rights under GSP and other legislation. ILO reports also provide valuable information on the worker rights situation in various countries. Finally, the ILO is the one international body that already provides assistance to help developing countries improve working conditions. We believe the ILO can play an even broader role, particularly through its technical assistance. We plan to encourage the ILO in this direction during its annual conference this coming June.

WOMEN'S BUREAU

Question. Census Bureau data indicates that there are nearly 6 million displaced homemakers under the age of 65; there are currently more than 1,000 local displaced homemaker programs nationally. How is the Department responding to meet the employment and training needs of displaced homemakers?

Answer. The current Women's Bureau (WB) grant with the Displaced Homemakers Network covers the following time period: 10/1/86 - 6/30/88. The budget accepted by the WB included a line item of $33,000 for regional initiatives. An accounting of DHN expenditures under this item showed that as of 3/31/88 only $8,070.23 had been spent, leaving a total of $ 24,929.77 remaining to be spent during the 3 month period 4/1/88 - 6/30/88. It is unlikely that DHN will be able to spend this amount in that short time period.

The failure to allocate the full $33,000 has been called to the attention of DHN. The WB is currently working with DHN to redirect greater effort and resources to the DHN regional representatives and to the local programs.

Question. Information contained in the Workforce 2000 Report predicts greatly increased participation by women in the labor force. Clearly, this indicates a need for an expanded role for the Women's Bureau. How do you plan for the Women's Bureau to meet this expanded need?

Answer. The increasing importance of women's labor force participation for U.S. competitiveness over the next thirteen (13) years underscores the need for the Women's Bureau to continue to provide leadership in resolving issues related to women's employment. We hope to meet the challenges to our ability to fulfill our mission in the future as we have in the past, specifically, through effective management of our resources and taking advantage of opportunities to influence agencies with greater resources to allocate those resources to activities that will address women's employment and training needs. Thus, we have jointly funded or sponsored projects with the Employment and Training Administration (alternative work scheduling in the private sector study; Federal Highway Administration pilot project), the Veterans Employment Service (Women Veteran's Forum) and the BLMRCP (75th Anniversary Symposium), and have been major contributors to Secretarial initiatives, such as the child care task force, which have been relevant to women's employment. This strategy uses our resources to leverage greater resources and to work in partnership with other agencies.

PROGRAM EVALUATIONS

Question. GAO's 1985 report on Labor's management recommended that Labor reassess the emphasis given to program evaluations at the Secretarial level. GAO's follow-up indicated that little progress has been made in this area. What is the status of Labor's actions regarding departmental program evaluations?

Answer. The Department has completed its review of program evaluations. The bulk of the Department's programs are of a regulatory nature and accurate evaluations in this area are extremely complex. As a result, the Secretary has initiated a Task Force on Enforcement. This group, which has begun operation, will review all the Department's regulatory programs including their data and information systems, their policy/decisionmaking process, their enforcement and compliance activities, and their feedback information systems.

Question. When does Labor expect to decide on its approach?

Answer. A preliminary report is due this summer, and a final report with recommendations is due in the fall.

MANAGEMENT OF DEPARTMENT OF LABOR

Question. At the urging of the General Accounting Office, Secretary Brock set up a management system stressing Secretarial involvement, goal setting, and review and feedback. What changes do you plan to make to the Labor Department's management system?

Answer. After I was briefed on the Secretary's Management System, I saw immediately that it provided a very sound and practical basis for planning and tracking the priority work of the Department. Many of former Secretary Brock's goals and the agency supporting goals remained entirely valid, while a few required updating. Of course, there were some priority concerns of mine that I wished added to the system.

Accordingly, I have built upon former Secretary Brock's work, and have promulgated four new Secretarial goals. I have now met with the Department's executive staff and, over a period of some weeks, we agreed upon a set of agency supporting goals, that is, specific programmatic objectives that needed to be accomplished in order to achieve the broad Secretarial goal. The agencies recently submitted detailed action items or milestones, and target dates for their accomplishments, which are under review by my staff. Very shortly I expect to be able to approve these action plans. The first reports of progress in comparison to the plans will be due in my office early in July.

As you can see, I am retaining the basic structure of the Secretary's Management System. I have, however, also directed that the system be automated as soon as possible, so as to reduce the volume of paper flowing to and from my office. The agencies should be able to input their plans and status reports by terminal, and receive feedback from my office in the same way. My staff and I should be able to access the system and sort the information we wish to peruse without dealing with mountains of paper. In addition, I am hoping that, as a by-product of this automation project, we will be able to create a meaningful summary of departmental achievements which can be broadly disseminated periodically. Our present plans call for completion of this automation by the end of July.

Question. What can be done to institutionalize the key elements of this management system, for future administrations?

Answer. The automation project mentioned above will certainly help institutionalize the key elements of the Secretary's Management System, because it will eliminiate much of the paperwork and time associated with any planning and reporting system.

However, realistically, the factor that will "make or break" any management system is the interest expressed in it at the top. If future Secretaries of Labor have as strong an interest as Bill Brock and I have in assuring sound management in the Department, the system will remain an effective tool. If not, there is no system that will guarantee results.

REGIONAL ROLE IN PLANNING PROCESS

Question. Secretary Brock established broad, priority goals for the Department and approved short-term supporting goals and milestones proposed by the agencies. GAO found during its follow-up work that regional officials were not substantially involved in the planning process, and that agencies, such as the Employment Standards Administration (ESA), the Mine Safety and Health Administration (MSHA), and the Bureau of Labor Statistics (BLS), with important national functions have been responsible for few or no supporting goals. Will regional officials be made full participants in the planning process?

Answer. I believe they already have been. A National Field Advisory Council has been established with representation from all departmental regions and most programs. It has reviewed the functions and responsibilities of the Regional Executive Committees with a view toward increasing the committee's effectiveness as information exchange and coordinative bodies.

An Executive Computer Network, which will link all of the Department's executives, is now being installed. I have directed that this linkage include, as a high priority, installation of modern computer equipment in the Department's ten regional offices. The ECN will provide the mechanism for assuring timely two-way communication between top executives in both the National Office and field.

An academy has recently been established in the Department, to provide central coordination and leadership to all common needs training of departmental employees. The highest priority I have given to this body is the improvement of employee development programs outside of Washington. This summer the Director of the Academy will convene an advisory committee, composed largely of regional representatives, to begin planning new and enhanced field training programs that can be implemented next fiscal year.

I could continue with other examples of how regional staff will be involved in departmental planning processes, including my holding my first off-site executive conference in Boston, one of our regional cities. However, the basic point I wish to make is clear: I fully recognize that two-thirds of the Department of Labor's staff are employed outside of Washington, and those staff - at all levels - have invaluable operational experience that can and should be considered in the management of the Department. My management style and practices will assure that that happens.

Question. What will be done to insure that major ESA, MSHA, and BLS program goals are incorporated into the planning process?

Answer. I believe that this, too, has already been done. The heads of these, and all other major DOL programs actively participated in the off-site conference mentioned above, and were afforded a full opportunity of assuring coverage of their programs in both the definition of my broad goals and in the specification of the supporting goals. The ESA and MSHA enforcement strategies and objectives are explicitly included, and BLS's programs are critical to achieving many of the work force and work place actions we have planned. Finally, when I promulgated the final version of my broad and supporting goals, I did not assign agency responsibility for any of them, but rather invited all agencies to submit relevant milestones for all goals.

MANAGEMENT SYSTEM

Question. Under the Secretary's Management System, the agencies' progress in achieving approved goals and milestones is reviewed quarterly. What quantifiable measures are used to evaluate the agencies' progress in implementing their goals?

Answer. Although not precluded from the Secretary's Management System, the emphasis in the system has been on achievement of milestones and target dates. The latter are, in my judgment, a better way of addressing new initiatives, while quantified outputs tend to focus on on-going, operational activities. The latter, however, receive full and complete review annually in conjunction with the formulation of our budget proposals. In our Congressional appropriations request, you will find extensive tabular data that depict past, current and anticipated quantified levels of performance.

Question. Are the agencies meeting their milestones for accomplishing their goals?

Answer. With very few exceptions, the agencies have done an excellent job in meeting their priority targets. The exceptions tend to be short delays caused by factors outside the Department's control.

Question. How are managers being held accountable for meeting goals and milestones?

Answer. Under the Secretary's Management System, Deputy Secretary Whitfield is charged with day-to-day operational management of the Department. Naturally, he keeps me fully apprised of all significant situations. He normally confers at least weekly -- sometimes daily -- with the agency heads, so that he is constantly aware of progress being achieved and problems being encountered.

On a more structured basis, each quarter the agency heads submit formal progress reports that indicate whether each milestone is on track or whether problems are being encountered. These quarterly reports also provide for two levels of narrative, the first addressing the status of all work toward the supporting goal and the second dealing with the status of each milestone. Deputy

Secretary Whitfield and his staff review these quarterly reports, brief me, and provide prompt feedback to the agency heads. This reporting and feedback process is the primary means of assuring accountablity.

Question. Have managers been asked for their perspectives on the system's effectiveness and its impact on program operations?

Answer. Yes. When former Secretary Brock first installed the system, briefings were held for all managers throughout the Department. Reactions were strongly encouraged, and have been forthcoming from many staff. The offsite conferences that Bill Brock and I have held provided a more formal setting for such managerial input and it was largely as a result of those sessions that we decided to proceed with the automation of the system on a priority basis. There was a broad consensus that conceptually the system was very sound but it was being strangled by the paperwork involved.

To illustrate this, here are several representative situations:

-- in a number of instances, for Secretarial feedback to be meaningful, it must be timely. Shooting back a succinct action message via a computer terminal is much faster than preparing a memorandum, and more dependable than trying to make connections by telephone.

-- if a meeting with an agency head is forthcoming, it would be very convenient to be able to review quickly any outstanding problems on priority objectives. This can be readily done by asking the computer to sort the files and identify any off-track activities for that agency. Doing that sorting manually is a time consuming and frustrating chore.

-- for a meeting with an outside group, say, a Congressional committee, it is essential to review all activity underway pertinent to the subject of the meeting. This, too, can be done easily by asking the computer to sort the files based on key words in the titles of the goals and milestones. Doing this manually is almost impossible.

So, as you can see, the original version of the Secretary's Management System established the basis for significantly improved departmental planning and tracking, but it was prevented from achieving its full potential by reliance on a paper intensive process. We believe the automation effort will resolve those problems and give us a very effective management tool.

Question. What is the status of plans to automate the review process?

Answer. Programming and testing are now well-underway, under the direction of a senior DOL manager. Test data have been input, and the core modules are being refined. The largest technical job remaining concerns the search and compilation functions. All of this is expected to be completed early in June. Later that month, there will be training sessions for the agency managers who will provide reports and for the staff in Mr. Whitfield's office and mine who will review them. The reports due early in July should be transmitted by terminal, and feedback provided the same way.

OCCUPATIONAL INFORMATION

Question. Both you and your predecessor, Bill Brock, have stressed the dramatic changes taking place in the workforce that will accelerate as we approach the year 2000. Why, then, are you proposing a cut in funding for the National Occupational Information Coordinating Committee (NOICC), which is doing a lot of work educating guidance personnel and young people about the needs of tomorrow's workplace? Last year, the Committee restored the proposed NOICC cut from $4 million down to $3 million; nevertheless, the Labor Department is again proposing a fiscal year 1989 cutback to $3 million.

Answer. NOICC is a contributor to our understanding of demographic changes as we approach the year 2000. We view $3,000,000, an amount comparable to the appropriations for fiscal years 1983-1986, as an appropriate level of resources for this activity. We therefore included this amount in our request within the total available under the Bipartisan Budget Agreement. Any increase above this level would have to be offset by a corresponding decrease elsewhere in the appropriation in order to remain within the terms of the Bipartisan Budget Agreement.

WORKPLACE EXPOSURE TO AIDS AND HEPATITIS B

Question. Last year, OSHA (Occupational Safety and Health Administration) notified 500,000 health care employers, including hospitals, that it would enforce guidelines from the Centers for Disease Control to minimize workplace exposure to AIDS and Hepatitis B. How many inspections have been conducted to date, and what have been the results?

Answer. Between September, 1987 and April 15, 1988, OSHA conducted 59 inspections for blood borne diseases. While most of the facilities are complying with the guidelines, citations were issued to nine employers.

Question. How many employee complaints have been received?

Answer. Specific data identifying inspections for blood borne diseases which were initiated by a complaint were not entered into the Integrated Management Information System until January 1, 1988. Between January 1, 1988 and April 15, 1988, the agency conducted 20 inspections for blood borne diseases of which 15 resulted from employee complaints.

Question. How many inspections of health facilities are planned for fiscal 1989 compared to 1988, at what cost?

Answer. We plan to conduct about 100 inspections in 1988. Once completed, we will evaluate the effectiveness of this effort to determine an appropriate program for FY 1989. The agency does not track the costs of individual inspections.

IMPACT OF OSHA

Question. What evidence is there that the Occupational Safety and Health Administration (OSHA) has made any difference in the safety and healthfulness of the workplace?

Answer. We believe the statistical evidence indicates that OSHA has had a substantial impact on reducing workplace injuries and illnesses. Since 1973, total injury/illness rates, as reported by the Bureau of Labor Statistics (BLS), have declined by over 25 percent. In addition, work related deaths in firms employing ten or more workers have dropped from 4,760 deaths in 1977, to 3,610 deaths in 1986. During this same period, 15 million additional people entered the job market and were exposed to workplace hazards.

In addition to evaluations based on BLS statistical data, a study conducted by Professor W. Kip Viscusi concluded that "... there is evidence of a statistically significant effect of OSHA on worker safety beginning in 1980...." The report also concludes that "The OSHA enforcement variable that led to these significant effects was the rate of OSHA inspections." A more recent study, completed in March 1988 by the Congressional Research Service (CRS), evaluated the effects of OSHA safety inspection targeting and concludes that some of the best improvements in OSHA's history have been in those industries where OSHA has targeted its resources. Because both the Viscusi and CRS studies use the BLS national injury/illness rates as part of their analysis, their results also reflect the effectiveness of state-operated programs.

Question. What evaluation studies does OSHA have planned or ongoing that would assess the impact of its activities or those of state-operated programs on worker safety and health?

Answer. Because of the conclusions of the Viscusi study and the conclusions of the recently published Congressional Research Service report, OSHA has no evaluation studies presently underway. Future plans call for studies to be done in specific industries, such as meatpacking, as well as a study to evaluate the effects of the exposure monitoring and medical surveillance provisions of recently promulgated health standards.

OSHA RECORDKEEPING

Question. A National Research Council study concluded that the Labor Department needs to do more to improve the accuracy of employers' injury and illness recordkeeping practices, but that it needs additional resources to do so. What would it cost to adequately check these records and improve their usefulness to OSHA?

Answer. The National Academy of Sciences' study covered a number of different issues, each of which is being addressed by OSHA. Currently, we do not believe that any significant additional costs need be incurred to improve the accuracy of employers' recordkeeping or to make the data more useful to the agency. Our current policy is to require, as part of every compliance visit, a thorough examination of employer based records, comparing entries in the required OSHA-200 log against other employer records, such as worker compensation files and medical records. This method has proved quite successful in uncovering cases where employers are willfully violating the intent of the recordkeeping provisions. In addition, OSHA has recently completed a pilot project that examined in detail the safety and health records of 200 firms in Massachusetts and Missouri. The results of that study gave the agency cause to believe that the accuracy of the records, at an aggregate level, provides a sufficient data base from which to schedule inspections and make general program decisions.

In addition, to improve the usefulness of the records, OSHA is participating in a bipartisan research activity conducted by an independent group called the Keystone Center. The Keystone organization, made up of representatives from business, labor, and government organizations, has made several preliminary suggestions for improving the usefulness of the data. Although a final Keystone report is not expected until sometime this summer, the BLS has already developed several pilot projects to test the feasibility of some of the Keystone Center's suggestions. Should the pilot tests demonstrate feasibility, BLS expects it could make these changes operationally by FY 1991 without major budgetary implications. In the meantime, OSHA and BLS are continuing an education effort aimed at increasing the level of understanding about the recordkeeping requirements.

CERTIFICATION FOR HAZARDOUS WASTE OPERATIONS TRAINING

Question. P.L. 100-202 requires OSHA to develop certification procedures to certify that workers at hazardous waste operations have been trained to specific Agency standards. The certification procedures are to be at least as comprehensive as those adopted by the Environmental Protection Agency in its Model Accreditation Plan (MAP) for asbestos abatement training. The certification procedures in the MAP require that training programs be approved by EPA and that workers be certified after they successfully complete an approved training program. Has OSHA ever engaged in such a certification program?

Answer. OSHA has not previously administered a comparable certification program.

Question. What have you identified as the staff resources necessary to implement this certification program? Please provide this information in terms of man-years and dollar amount as well as a time line distribution of resources to implement and oversee the program for the next five fiscal years.

Answer. We are in the process of determining the resource requirements for both issuing a regulation to establish the training accreditation program, as well as the resources necessary to implement the program. We are expecting that resources for this program will be provided by reimbursement from Superfund.

Question: What evidence do you have that worker health and safety at hazardous waste operations is in jeopardy sufficient to demand the staff resource allocation required?

Answer: It is important to note that the development and implementation of this program is required by P.L. 100-202, rather than by an agency initiated requirement or rule. Consequently, OSHA has not conducted analyses of the costs of this program as compared to the risk to workers.

Question. Are other health and safety priorities of the Agency adversely effected because of the staff resources allocated to this program? Please identify these priorities.

Answer. As noted, we are in the process of defining the resource implications of this program. Part of our deliberations will include a careful consideration of the impact of this program on other agency priorities.

CALIFORNIA OSHA

Question. Your budget includes an increase of $4,284,000 and 45 staff for Federal inspections in the State of California, but no funds for State operational grants that used to be funded in excess of $10,000,000. How would your budget have to be adjusted if the State of California were to resume its OSHA jurisdiction in fiscal 1989?

Answer. If the State of California resumed the exercise of safety and health jurisdiction in the private sector, OSHA would have to provide additional resources for state grant funding to support their activity. Such a decision by California would ultimately reduce the need for Federal expenditures for salaries and other expenses in California. While funding previously provided to California under the state grant program is now being utilized for direct Federal enforcement costs in the state, it is premature to speculate on what specific adjustments or increases would have to be made in OSHA's budget if California returns to its previous status as a state plan state.

TARGETING OF INSPECTION ACTIVITIES

Question. In targeting OSHA safety inspections, does the industry an establishment is in adequately indicate that violations are likely to be found there?

Answer. Our recorded patterns of inspection results indicate that we find more violations in worksite inspections selected on the basis of our targeting system which is based on industry data than simply going to establishments on a random, or non-targeted basis. In addition, the recently released Congressional Research Service study, dated March 22, 1988, suggests that the existing targeting of inspections into high hazard industries is a reasonable way to conserve limited resources, and an effective means of reducing workplace injuries.

Question. Why doesn't OSHA collect injury records of individual establishments and use them for targeting safety inspections?

Answer. The experience of the Bureau of Labor Statistics (BLS) indicates that the interests of the government are best served by insuring anonymity to all BLS survey respondents. It is notable that the nature of other BLS surveys, such as the

Consumer Price surveys and the Employment and Earnings survey, are dependent upon voluntary cooperation of the business sector. Use of the Bureau's survey mechanisms for enforcement purposes might jeopardize the voluntary participation of employers and ultimately impact on the quality of other BLS products.

Question. In addition to injury records from individual employers, what other information could OSHA use to better identify major violators of safety law for inspection?

Answer: A number of other kinds of information may be available to help identify worksites for targeted inspections. Among these possibilities are insurance, workmen's compensation and hospital admissions records. At present, access to some of this information is limited due to confidentiality and privacy restrictions. Along with the Bureau of Labor Statistics, OSHA is exploring the use of these information sources to the extent permitted.

Question. In addition to the past inspection history, what information does OSHA need to effectively target health inspections?

Answer. OSHA's present health targeting system relies primarily upon industrial hygiene air samples taken in workplace environments. This information provides confirmation about which toxic substances are used in specific industries and therefore provides a good basis for targeting. A much needed further refinement to this system would be to provide information about the number of employees exposed, and the amount of the exposure, to the individual substances. OSHA expects, as a byproduct of the research now being done to update the Permissible Exposure Limits (PEL project) to develop a data base which would ultimately be used to enhance the health targeting system.

STATE OSHA PROGRAMS

Question: What formula is used to allocate federal funds to those states which operate their own occupational safety and health programs? Does it adequately reflect the differences among the States in the number and kind of business establishments for which they have enforcement responsibility?

Answer: OSHA initially had sufficient funds to fund each approved State plan at the program level requested by each State without regard to any kind of allocation formula. This resulted in some States having proportionately larger programs than others. Increases and decreases have, for the past several years, been distributed among the States on an equal percentage basis.

To address the disproportion in funding among the States, a Federal/State task group developed a formula that would lead to parity among the States over time. The formula uses a funding factor which was calculated utilizing State-specific employment population data and individual State lost workday case rates for the various industrial groupings, as provided by the Bureau of Labor Statistics.

Question: How does OSHA assure the quality of these state-operated program activities?

Answer: OSHA assures the quality of State-operated occupational safety and health programs through its data-based monitoring system. This system is based on activities measures which set out the criteria against which State performance is measured. There are 88 measures covering 11 major program areas. State and Federal data are compared as the first step in the process of determining whether a State's program is at least as effective as the Federal program.

The system reviews outputs as indicators of the quality of State performance. For example, states with a workforce similar to the Federal would be expected to cite similar hazards if inspectors are qualified and well-trained and using appropriate procedures. Such factors as complaint response time and citation processing time should be comparable to Federal performance if the State has an "at least as effective" administrative structure.

Most data necessary to evaluate State performance in relation to the activities measures is obtained through State participation in OSHA's Integrated Management Information System (IMIS). OSHA analyzes the cause and effect of any significant deviations from Federal data. This analysis is intended to determine whether the outliers are caused by program factors which do not affect the effectiveness of the State's program or are reflective of problems in the program. If the cause and/or impact of an outlier cannot be determined through statistical analysis, OSHA conducts special investigations, including the review of case files or accompanying State compliance officers on inspections, where appropriate. If analysis indicates a deficiency in a State's program, a remedial strategy and a timetable for corrective action are developed.

Other data for State plan evaluation are obtained from Bureau of Labor Statistics reports, State grants, and State-submitted documents such as standards, variances, and contested case decisions. The investigation of Complaints About State Plan Administration (CASPA's) provides additional data on State performance. Problems discerned in individual cases through CASPA's may prompt wider investigations of a certain aspect of a State's program.

PAPERWORK REDUCTION ACT

Question. Do you interpret the statutory language of the Paperwork Reduction Act to require OSHA to examine the practical utility of, and solicit public comments on, disclosure and labeling requirements such as the material safety data worksheet requirements involved in the Hazard Communication Standard?

Answer. OSHA believes that the Paperwork Reduction Act (PRA) and the implementing regulations promulgated by the Office of Management and Budget (OMB) require OSHA to examine the practical utility of, and solicit comments on, disclosure and labeling requirements in the Hazard Communication Standard (HCS). OSHA believes that it is clear from the long history of this standard, with the numerous opportunities for public participation, that the Agency has thoroughly reviewed and taken into account the burdens associated with the provisions of the HCS. It is notable that OSHA would have followed additional public notice and comment procedures for the recently expanded HCS were it not for a court order requiring OSHA to promulgate an expanded standard on the basis of the existing record.

Extensive public comment has been received, and is continuing to be solicited, on the collection of information requirements contained in the HCS. In response to decisions by OMB under the PRA regarding the collection of information requirements in the HCS, OSHA intends to initiate new rulemaking proceedings which will address concerns regarding the practical utility of these requirements. Public comment is specifically requested on these issues.

Question. Do you interpret the Paperwork Act's Public Protection Section 3512, to cover OSHA's requirements to employers to provide information to employees?

Answer. OSHA believes that the PRA's Public Protection Provision in section 3512, applies to the HCS's requirements that employers provide information to employees. In accordance with that provision, OSHA sought and received OMB approval for the 1983 original HCS covering the manufacturing sector.

Question. Why did OSHA choose to ignore the requirements of law in this instance [by permitting the information requirements contained in the HCS to expire] and not request renewal and provide for public comment on those requirements?

Answer. The agency did not choose to ignore the PRA. The original HCS, covering manufacturing, was promulgated in November 1983. In accordance with the PRA, OSHA sought and received OMB approval of that standard's collection of information requirements. OMB approved the original HCS under the PRA for three years until December 31, 1986, the maximum period approvals may run.

On May 24, 1985, prior to the expiration of the original approval the U.S. Court of Appeals for the Third Circuit issued its first order for OSHA to expand the standard's coverage to all workplaces within OSHA's jurisdiction where workers were exposed to chemical hazards, unless it was infeasible. OSHA interpreted the court decision as permitting the Agency to embark on additional public notice and comment procedures to address whether the HCS was feasible for the non-manufacturing business.

While in the process of preparing for the rulemaking on the appropriate scope of coverage of the HCS, it became apparent that the original OMB approval would expire before the additional rulemaking would be completed.

The original PRA clearance request for the 1983 HCS was one of the first submissions prepared by OSHA. The 1983 submission was prepared prior to development of detailed guidance by OMB on the appropriate implementation of the PRA. OSHA became aware that the estimates of paperwork burdens contained in the original submission request might need to be recalculated to reflect requirements detailed in OMB's regulations. OSHA, therefore, indicated to OMB staff that the envisioned rulemaking to study expanding the HCS's scope would also enable OSHA to assemble the information and data required by OMB for continued approval of the HCS covering manufacturing. In addition, since the Agency would also be estimating the burdens on the non-manufacturers proposed for HCS coverage in the upcoming rulemaking, it appeared to OSHA and OMB appropriate for OSHA to prepare one package of information addressing all economic sectors' HCS paperwork burdens. In accordance with this agreement, OMB twice extended approval of the original rule for three-month periods in anticipation that a notice of proposed rulemaking would be published in that time period. These OMB approvals were ministerial in nature, based on the information submitted by OSHA in 1983 to support the original rule's approval and not any new information or data.

However, a second order by the Court of Appeals for the Third Circuit was issued May 29, 1987. The court prohibited OSHA from continuing with rulemaking. The court directed OSHA to expand the HCS within 60 days to cover each industry within OSHA's jurisdiction unless, based on the record evidence, the Agency could determine that compliance with the HCS would be infeasible for an industry. Because of the court decision, therefore, OSHA could not issue its planned proposal or collect more public comment and information. Instead, OSHA had to make conclusions and determinations based on the existing record.

There were a number of legal actions taken during June, July and August of 1987 to stay or appeal the court order. OMB was involved in the deliberations during this period and it was OSHA's understanding that the paperwork clearance for the original rule was extended pending the outcome of the legal activities in the same ministerial manner as the previous clearances. Nevertheless, however, OSHA did not submit documents requesting such an action.

On September 10, 1987, approval was sought from OMB, this time for the collection of information requirements contained in the modified HCS covering all sectors of the economy. On October 23, 1987, OMB approved all paperwork aspects of the HCS except for three applications of the rule which involved regulatory language new to the expanded rule. OMB approved all provisions which had applied to the manufacturing sector in the original rule, except that the approval for HCS's definition of manufactured "article," was conditioned on OSHA's initiating rulemaking to examine alternatives to the definition to address PRA concerns. On April 13, 1988, OMB extended clearance of all HCS provisions, excluding the three previously disapproved requirements. The current approval is for the maximum approval period of three years through April 1991.

Question. Given the Public Protection Provision of the Paperwork Act, which declares persons are not to be penalized if government has not met its responsibility under the law, do you believe OSHA has the authority to assess penalties during this period of time if the penalties are based on noncompliance with information requirements?

Answer. OSHA believes that the assessment of penalties for noncompliance with the HCS during the period before formal OMB approval had been renewed, is proper in light of the circumstances of this case. OSHA believes that the brief lack of a formal renewal of OMB's longstanding prior approval under the PRA was at most a technical error which did not legally invalidate the HCS's requirements and which was corrected when OMB subsequently extended its clearance of the very same provisions.

The provisions in question concerned the original 1983 HCS covering chemical hazards in the manufacturing sector. Those subject to that rule clearly had an opportunity to participate in the extensive rulemaking leading to the rule's development and had notice of its requirements. Although the rule was challenged in court by worker representatives, employers subject to its requirements did not request judicial review. The original HCS was, of course, upheld by the court in all relevant respects.

As noted above, OMB reviewed the collection of information requirements in the original HCS in accordance with the PRA. Approval was granted for three years initially and extended twice for three-month periods based on the information previously submitted by OSHA to OMB to support approval. It was OSHA's intention in repeatedly seeking approvals from OMB that the clearance not lapse. OSHA understood the OMB's intention was also to continue approving the paperwork until the rulemaking could be completed, and, indeed, OMB could not, under its regulations, have disapproved any portion of the previously-approved paperwork requirements without first requiring additional rulemaking. In addition, when such a rulemaking is ordered, OMB has stated that it will extend existing approval of the collection of information while agencies conduct rulemaking to revise the information collection. 53 Fed. Reg. 16622 and n.8 (May 10, 1988). Subsequent formal PRA approval of the HCS was given by OMB in October 1987.

OSHA concludes that the subsequent OMB approval, in effect, retroactively corrected what was, at most, a technical error. OSHA believes that it is reasonable to hold employers responsible for failing to comply with the HCS during this period when the employers' expectations of their legal requirements and duties to protect their employees in accordance with the HCS were well settled and in accordance with the OSH Act and court decisions, PRA approval was previously longstanding and OMB approval was given subsequently for the same requirements. Because the expectations of manufacturing employers was that the standard applied to them, and continues to apply to them, fairness weighs in favor of permitting OSHA's continued enforcement of a remedial rule designed to protect the health and safety of employees.

Question. If you believe OSHA did not act in accordance with the law as regards the above period of time, what do you see your responsibility to be?

Answer. As described above, OSHA believes its actions are authorized by law.

Question. Would you provide the subcommittee with a list of those persons who were penalized under the Hazard Communication Standard during this period of expiration?

Answer. A list of those companies cited under the Hazard Communication Standard during this period follows:

COMPANIES CITED UNDER THE HAZARD COMMUNICATIONS STANDARD

ACCU-RITE INDUSTRIES INC.
ACCUSTICS DEVELOPMENT CORP.
ACDC INC.
ACME GALVINIZING CO., INC.
ACOUSTAWOOD INC.
ACTION ADVERTISING
ADVANCE PRINTING, INC.
AINSWORTH PRODUCTS, INC.
AIR COMPRESSOR PRODUCTS
ALABAMA DRY DOCK & SHIP BLDG.
ALAR PRODUCTS
ALCO PACKING
ALDEN YACHTS
ALLISON, INC.
ALU BRA FOUNDARY, INC.
AMERICAN BLDG. PRODUCTS CO.
AMERICAN CAN PACKAGING, INC.
AMERICAN CRANE & EQUIPMENT CORP.
AMTHOR'S WELDING
ANCHOR RUBBER MANUFACTURING CO.
ANDREA RADIO CORP.
ANZA GRAPHICS
ARTISTIC ACCENT INC.
ASARCO, INC.
ASARCO, INC., AMARILLO COPPER
ASHLAND INDUSTRIES
ASHLEY WARD CO.
ASTRO PLATING WORKS CORP.
ATLAS TRUCK BODIES, INC.
AZUSA PIPE & TUBE BENDING CORP.
BABCOCK INDUSTRIES, INC.-ACCO
BADGER BODY AND TRUCK EQUIPMENT
BANNER METALS, INC.
BASSELEN STEEL, INC.
BATESVILLE CASKET COMPANY, INC.
BEALL TRANS LINER, INC.
BEIER & COMPANY
BIC CORPORATION
BIRD MACHINE COMPANY, INC.
BOBRICKS, INC.
BOISE CASCADE CORP.
BOOMSA EGG PLANT
BROCKWAY PLASTICS
CALIBRAKE, INC.
CARBIT PAINT COMPANY
CARBON REACTIVATION, INC.
CATTLEMAN'S TRAILER CO., INC.
CATTLEMAN'S CHOICE DBA GENERAL
CHAMPION BOAT'S, INC.
CHEM-GRIND CHEMICAL CORPORATION
CHEVROLET-PONTIAC-CANADA GROUP
CHRYSLER CORPORATION
CHURCH PEWS, INC.
CINCINNATI ELECTRO SYSTEMS, INC.
CITY SIGN SERVICES, INC.
COASTAL BUILDING SYSTEMS
COLECRAFT MANUFACTURING COMPANY
COLLIER-KEYWORTH COMPANY
COLLINS CONCRETE PRODUCTS
COMMERCIAL LUMBER & PALLET CO.
CON-FAB WELDING, INC.
COOPER INDUSTRIES-ARROW HART
CORNER POCKETS OF AMERICA, INC.
COUNTER DESIGN, INC.
COWAN-MANELL, INC.
CREATIVE PLAYTHINGS, LTD.
CROWN BRASS MFG. CO., INC.
CROWN METAL SPECIALTIES, INC.
DAILEY BODY COMPANY
DAYTON MACHINE TOOL
DAYTON WALTER CORPORATION
DE KALB IRON & METAL COMPANY
DE ROSE INDUSTRIES, INC.
DECARLO SUPERLITE BLOCK CO., I
DECORA, INC.
DEH PRINTED CIRCUITS, INC.
DELMAR PACKAGING, INC.
DIETRICH INDUSTRIES, INC.
DIVERSIFIED PRODUCTS, INC.
DOVER MACHINE COMPANY
DRESSER INDUSTRIES INC., INSTR
DUDEK & BOCK SPRING MFG. COMPANY
DURALITH CORPORATION
E & R MACHINE INC.
E. SWEET & SONS, INC.
EAGLE ELECTRIC MFG. CO., INC.
EASTERN CASKET HARDWARE CO.
EBKO PIPING SYSTEMS
EL MONTE ALLOYS, INC.
ELDORADO CHEMICAL COMPANY, INC.
ELECTRO-GENERAL PLASTICS CORP.
EMPIRE ENTERPRISES, INC.
EMPIRE MENHADEN COMPANY
ENBI CORPORATION
ERMAK II, INC.
EVER READY THERMOMETER CO., INC.
EVERITE DOOR COMPANY
F R MANUFACTURING
FALCON FINE WIRE & WIRE PRDCTS.
FELTON MACHINE CO., INC.
FIBER MATERIALS, INC.
FIRESTONE TIRE AND RUBBER CO.
FISCHER FOUNDRY INC.
FLEXI-MAT
FOLGER ADAM COMPANY
FOREST ENVELOPE COMPANY
G & L TOOL COMPANY
G-A INDUSTRIES
GARRETT RAILROAD CAR PARTS CORP.
GEISER'S BATTERY SALES
GEM CASE DIV. OF WEINGEROFF
GLOBE METALS COMPANY
GRABER-ROGG, INC.
GREENFIELD RESEARCH COMPANY

HAMBURG FABRICATIONS, INC.
HAMILTON BOX AND SPECIALITY CO.
HARPER WYMAN COMPANY
HARRIS METALS DIVISION OF LIND
HEBERT PATTERN SHOP, INC.
HELFAND MOLDED PLASTICS COMPANY
HENALD'S MANUFACTURING
HERALD PRODUCTS
HERMAN RYNVELDS & SON, INC.
HIGH LINE PRODUCTS CORP.
HILTON DAVIS CHEMICAL COMPANY
ILLINOIS GLOVE COMPANY
INDIAN HILL HARDWOOD MILLING, INC.
INDUSTRIAL ASSEMBLY AND MFG.
INDUSTRIAL TRUCK BODIES & EQUIP.
INSULATION SYSTEMS, INC.
INTEC MEDICAL, INC.
INTERNATIONAL VAULT
IVOR J. LEE, INC.
J. ALLAN STEEL COMPANY
J. J. PLANK CORPORATION
J.B. ALLOY CO., INC.
J.C. BOOKCASE MFG. COMPANY
J.D. COUSINS, INC.
JACOBSEN MANUFACTURING, INC.
JAQUITH INDUSTRIES
JCP WOOD PRODUCTS, INC.
JOLIET REPUBLICAN PRINTING COMPANY
JURISICH MACHINE WORKS, INC.
KEMANORO, INC.
KENMORE PRESS, INC.
KEYSTONE BATTERIES
KEYSTONE RUBBER PRODUCTS CORP.
KEYSTONE STEEL & WIRE COMPANY
LANAN PRODUCTS INC.
LANDMARK LIGHTS, INC.
LINK CORPORATION
LOVE ENVELOPES, INC.
LTV STEEL COMPANY
LYNDOVILLE VINEGAR COMPANY
M & M MARS
M.W. DUNTON COMPANY
MACDONALD & EVANS, INC.
MAGNETICS DIVISION OF SPANG &
MANCO PLATING INC.
MARBLE AND TILE IMPORT
MARINE HYDRAULICS INTERNATIONAL
MASTER PRINTING COMPANY
MATTIACE PETROCHEMICALS, DIV M
MAYO PLATTING CO.
MERRIMAC INDUSTRIES, INC.
METAL CREATIONS, INC.
MISCELLANEOUS IRON FABRICATORS
MODERN ALUMINUM ANCOIZING CORP.
MON ARK BOAT COMPANY
MULLER CABINET COMPANY
MULLER TOOL INC.
NALCO CHEMICAL
NATIONAL METAL ABRASIVE
NEWTON READY MIX CONCRETE, INC.
NORCO MACHINE SHEET METAL CORP.
NORTHLAND FILTER SYSTEMS INC.
O.M. EDWARDS CO., INC.
OHIO BUMPER PLATING, INC.
OHIO VALLEY STEEL COMPANY
OKO CORPORATION
OLEY INDUSTRIES, INC. D/A EAST
OSF AMERICA
P & M FORMS MANAGEMENT, INC.
PACK-RITE INC.
PALL EAST HILLS MANUFACTURING
PASTRY PERFECTION
PAULHAMUS LITHO, INC.
PEPSI-COLA BOTTLING CO. OF NEW
PET, INC.
PINE VALLEY MEATS, INC.
PIPER CASE PRO
PITTSBURGH AUTO RADIATOR SUPP.
PLASTIC CREATIONS
PLATCO - DIV. ORBCO, INC.
PMS CONSOLIDATED
POLYMET CORPORATION
PRATTVILLE CASTINGS
PRECISION FOUNDERS, INC.
PREFERRED MACHINE WORKS, INC.
PROCESS ENGINEERING, INC.
PROGRESSIVE SERVICE COMPANY
PT&O DBA PROGRESSIVE TECHNOLOGY
QUAKER CITY COLD STORAGE CO.
QUALITY MACHINING COMPANY
R & B MACHINERY CORPORATION
R & R IRON WORKS INC.
R. S. OWENS AND COMPANY, INC.
RAINBOW DYEING & FISHING, INC.
RAINBOW INDUSTRIES, INC.
RHODES INDUSTRIES, INC.
RING CONTAINER CORPORATION
RIVAS BUSINESS FORMS, INC.
ROCKFORD BALL SCREW COMPANY
RODGERS MARINE ELECTRONICS
ROTUBA EXTRUDERS, INC.
RUDD CONTAINER CORPORATION
S.G.M. COMPANY
SAMUEL BINGHAM CORPORATION
SAN JUAN SHIPYARD, INC.
SANDBERG FIRE PROTECTION CORP.
SCIENTIFIC PLATING CO., INC.
SEA SPRITE BOAT COMPANY
SHELBY ADVANCED AUTOMOTIVE TEC
SIGMAMOTOR, INC.
SNOPAC PRODUCTS, INC.
SOFT SHEEN PRODUCTS, INC.

SOUND MANUFACTURING, INC.
SOUTHWEST CASKET COMPANY
SPECIAL PRODUCT COMPANY
SPENCER JOHNSTON
SPRINGFIELD PRESS & MACHINE CO.
STANDARD WIRE COMPANY
STANTON FOUNDRY
STARLITE TRAILERS, MFG., INC.
STARR DISPLAY FIREWORKS, INC.
STEARNS TECHNICAL TEXTILES CO.
STEELDRAULIC PRODUCTS, INC.
STONE CONTAINER CORPORATION
STRUCTURAL WOOD SYSTEMS, INC.
SUN CHEMICAL CORP., GENERAL PR
SUN FOUNDRY
TEXAS APPAREL
TEXAS DOOR PRODUCTS DBA TX DOO
THE BREWER COMPANY
THE RALPH J. STOLLE CO., HYDRO
THE TRI-STATE MANUFACTURING CO.
THERMAL SCIENCE, INC.
TRAILMOBILE, INC.
TURBOCOMBUSTER TECHNOLOGY-DIV.
TWENTY-THIRD PUBLICATIONS
UNIQUE APPLICATIONS, INC.
UNIQUE MARBLE PRODUCTS, INC.
UNITED HARD CHROME
UNITOOL ATTACHMENTS, INC.
URETEK, INC.
VARIETY MEAT PACKING CO., INC.
VELVET ICE CREAM COMPANY, INC.
VICTORY WHITE METAL COMPANY
VIKING MANUFACTURING CORP.
VIKING RUBBER, INC.
VITEK RESEARCH CORPORATION
WAGNER PRECISION, INC.
WARRINGTON EQUIPMENT MFG. COMPANY
WEBEL FEEDS
WELDED SHEET METAL SPECIALTY CO.
WEST COAST PLATING, INC.
WESTERN FISH PRODUCERS, INC.
WHEATLAND STEEL PROCESSING COMPANY
WHITE STOKES COMPANY
WHITTAKER CORP., HEICO DIVISION
WIKEL MANUFACTURING
YATES INDUSTRIES, INC.
YOUNG FIRE EQUIPMENT CO.
ZIEGENFELDER COMPANY INC.
ZIMMERMANN & JANSEN INC.

Question. Are you aware of any other instances where OSHA has not met its responsibility to renew information requirements subject to the Paperwork Reduction Act?

Answer. In the first few years after the PRA went into effect, there were occasional brief lapses of paperwork clearances due largely to lengthy clearance review and processing time both within the Department of Labor and at the Office of Management and Budget. OSHA and the Department have greatly improved the efficiency of the process and our responsibilities are now being met.

Question. I understand the United States Court of Appeals for the Third Circuit ordered OSHA to promulgate, within 60 days of its order, a Hazard Communication Standard for all workers covered by the OSHA Act. Are there any requirements of the Paperwork Reduction Act that prevent OSHA from complying with the order?

Answer. OSHA believes that it has complied fully with the orders of the U.S. Court of Appeals for the Third Circuit by promulgating the expanded HCS on August 24, 1987. The Court's May 29, 1987 order required the Secretary to publish, within sixty days, "a hazard communication standard applicable to all workers covered by the OSH Act, including those who have not been covered in the hazard communication standard as presently written, or a statement of reasons why, on the basis of the present administrative record, a hazard communication standard is not feasible." The Secretary did just that. She published a HCS in the Federal Register which requires:

> chemical manufacturers or importers to assess the hazards of chemicals which they produce or import, and all employers to provide information to their employees about the hazardous chemicals to which they are exposed, by means of a hazard communication program, labels and other forms of warning, material safety data sheets, and information and training. In addition *** distributors [are required] to transmit the required information to employers. 52 Fed. Reg. 31877 (Aug. 24, 1987).

Nothing in the Court's order purported to define the provisions of the rule that would ultimately be promulgated.

In addition, the Court's remand order did not affect OMB's authority under the PRA. Because the court prohibited OSHA from engaging in a new round of rulemaking on the issue of the HCS's scope of coverage, OSHA did not publish a proposal which could be reviewed by OMB under section 3504(h) of the PRA. The schedule set by the court, therefore, prevented OMB from reviewing the collection of information requirements in the modified HCS prior to its publication. OSHA submitted estimates and an explanation of the collection of information requirements in the court ordered rule as soon after publication as the Agency could.

OMB has disapproved three paperwork applications of the August 1987 HCS. OSHA has stated that these requirements are not effective or enforceable on May 23, 1988, as OSHA originally scheduled in the standard. The paperwork items disapproved by OMB are relatively minor and in no way undercut the letter or the spirit of the Court's order that the rule be extended. The issue of whether the PRA permits OMB to disapprove, and OSHA not to enforce, these three HCS requirements is currently the subject of litigation in the Court of Appeals for the Third Circuit.

Question. What is the present status of the Hazard Communication Standard? I understand OSHA has indicated the Agency will initiate rulemaking regarding the standard. What is the planned schedule?

Answer. OSHA expects to publish the proposal shortly for public review and comment and to complete the rulemaking in the fall of 1988.

IMPACT OF REDUCED EMPHASIS ON NON-REQUIRED ACTIVITIES

Question: According to the General Accounting Office, the Mine Safety and Health Administration has increased the time spent on required inspections but, the time spent on other important enforcement activities has decreased. Enforcement activities being curtailed include: checking for corrections; investigating worker complaints; and monitoring mine operators' safety training programs. What has been the impact on miner safety and health of reduced emphasis on conducting other enforcement activities and monitoring mine operators' safety training programs?

Answer: MSHA has not reduced emphasis on other mandated enforcement activities. These would include compliance followup inspections, hazard complaint inspections, willful violation investigations, discrimination complaint investigations, and accident investigations. Except for some flexibility in the scheduling of compliance followup inspections, MSHA must follow through and conduct inspections or investigations on every one of these other occurrences.

Although budget reductions did force MSHA to shift resources away from education and training activities, compliance assistance, and other special inspections in 1986, MSHA began reemphasizing these areas in 1987 with the hiring of new inspectors. As the trainees achieve journeyman status in 1988 and 1989, MSHA will increase efforts in those areas needing additional resources so that the agency's balanced approach to mine safety and health is maintained.

ADEQUACY OF 1989 BUDGET REQUEST

Question: Is the fiscal 1989 budget request for the Mine Safety and Health Administration sufficient to increase the time spent on these other activities without reducing the number of required regular inspections?

Answer: MSHA's 1989 budget request is sufficient to carry out its safety and health programs. When all the inspectors hired in 1987 are fully trained in 1988 and 1989, MSHA will be able to increase the time spent on education and training activities, compliance assistance, and other special inspections without reducing the number of required regular inspections.

MINE INJURY REPORTS

Question: In order to detect underreporting of mining injuries, inspectors are supposed to examine company records as part of their mandatory regular inspections. What is being done to ensure that inspectors check mine operator reporting practices during each required regular mine inspection?

Answer: Ensuring that inspectors check mine operator reporting practices is being addressed through MSHA's quality assurance program in three ways. First, each inspector's notes relative to daily inspection activities are reviewed by the inspection supervisor. This action keeps the supervisor informed of the conditions being encountered in the mine and reveals the areas the inspector has covered during the inspection such as company records, plans, and the areas of the mining complex. Secondly, each inspector's activities are thoroughly discussed by the inspector and his or her supervisor during quarterly debriefings. Finally, reviews conducted of the inspection program area by both the districts and headquarters personnel specifically address the review of company records relative to accident and injury reporting by inspection personnel.

USE OF STATE WORKERS' COMPENSATION DATA

Question: To what extent is state workers' compensation data being used to provide data to verify mine operator reports?

Answer: In March 1987, 13 States agreed to provide MSHA with workers' compensation data. For various reasons, only a few States have been cooperative in this effort: Kentucky, West Virginia, Pennsylvania, Ohio, Maryland, Illinois, Arkansas and Wyoming. There are several reasons for a State's unwillingness to cooperate:

- Some States do not keep company records by number;
- Prohibition of State law;
- Others regard this information as confidential or personal.

Kentucky initially was cooperative, but later determined it was inappropriate for them to release such information. Arkansas agreed to provide this information, but only in isolated cases. MSHA is continuing its efforts to utilize this kind of cross check of data to determine the adequacy of injury reports.

ASSURANCE OF QUALITY MINE INSPECTIONS

Question: The Mine Safety and Health Administration established a task force in March 1987 to develop an agency accountability system to provide information about the adequacy of inspection activities. What is being done to monitor the implementation and effectiveness of the Mine Safety and Health Administration's quality assurance program?

Answer: The Department of Labor monitors the implementation and effectiveness of MSHA's Accountability Program through the Federal Managers Financial Integrity Act and OMB Circular A-123 on internal controls. MSHA is required to submit a Management Control Plan biannually, along with a year-end letter to the Secretary reporting the status of its internal controls. A significant portion of that year-end letter will consist of the accountability reviews, any resulting significant weaknesses and proposed corrective actions for those weaknesses.

The Accountability Programs for both Coal and Metal/Nonmetal are being monitored by the Office of Program Policy Evaluation (OPPE). The Director, OPPE, has the responsibility for oversight of the agency's Accountability Program. OPPE serves as the central focal point and coordinator for evaluating the overall effectiveness of the agency-wide program and for keeping the Assistant Secretary informed as to the status and accomplishments of the Program.

Accountability reviews are being conducted at three levels:

1. Supervisory Level - First-line supervisors are conducting evaluations of their subordinates' quality of work as it is performed.

2. District Level - Reviews of district, subdistrict and field offices are conducted by review teams consisting of members from the district.

3. Headquarters Level - Reviews of districts are conducted by teams consisting of personnel from headquarters.

Reports of reviews conducted by the districts are being reviewed by headquarters personnel for the purpose of evaluating how the districts are correcting identified deficiencies. Major deviations from expected program operations are being tabulated to be used by headquarters personnel in determining areas that should be addressed during headquarters reviews of the districts. Headquarters reviews of the districts are used to determine compliance with the quality assurance program and to verify correction of deviations from expected program operations.

OCCUPATIONAL EMPLOYMENT STATISTICS

Question. Within the Bureau of Labor Statistics, how much is budgeted for the Occupational Employment Statistics program, compared to the FY 1988 appropriation?

Answer. The Bureau of Labor Statistics FY 1989 budget request includes $8,133,400 for the Occupational Employment Statistics (OES) program. The FY 1988 appropriated level for the OES program was $7,828,800.

Question. What portion of OES funding is currently made available for State and substate occupational projections?

Answer. Currently, none of the OES funding is made available for State and substate occupational projections. All of the OES funding for the States is used to fund development of estimates of current occupational employment.

CENTRAL BUSINESS LIST

Question. You are requesting $5,500,000 and 21 new positions for development of a central business list for use in the Federal government. Please explain this proposal, and what purposes it will serve.

Answer. The request for the Central Business Establishment List is for $5,500,000 and 42 positions. During FY 1989, the initial year of the project, 21 full-time equivalent staff years are requested. Currently, the Bureau maintains a directory of businesses from which we select samples for establishment-based price, wage, and occupational safety and health surveys. This business directory is composed of enterprises at a county level of detail; thus, if enterprises have more than one establishment -- worksite -- engaged in the same kind of business activity within a county, these individual worksites of the enterprise cannot be identified. The resources requested in this proposal would allow BLS to substantially improve the business directory by funding State agencies to expand the level of detail on businesses to include information on all separate worksites within each county.

In addition to improving the BLS sampling universe, this proposal is an essential step to enable BLS to become the Federal government's central collection agency for directory information on nonfarm business establishments. Under the Paperwork Reduction Act the OMB may designate a single agency to be a central collection agency for the whole government. OMB asked BLS to develop a proposal for the directory for potential use by all Federal statistical agencies to reduce the burden on business reporters, eliminate duplication of effort among agencies, and improve the comparability of statistical series among agencies.

OCCUPATIONAL PROJECTIONS

Question. What is the Labor Department doing to provide adequate financial and technical resources to States to make projections of occupational supply and demand for their State and substate areas as required under JTPA Title IV-E, Section 462(a)?

Answer. The Bureau of Labor Statistics does not provide States financial assistance to make projections of occupational supply and demand for State and sub-State areas. We do assist States in the technical aspects of developing these projections by working directly with the Interstate Conference of Employment Security Agencies and the National Occupational Information Coordinating Committee in efforts to develop software and to provide technical training materials and conferences. Also, the Bureau further assists the States by sharing with them all the data and detailed methods used in developing the national occupational projections.

PENSION PLAN DATA BASE

Question. You are requesting $5 million for operating costs of a new Employee Retirement Income Security Act (ERISA) data system, together with bill language extending availability of funds through fiscal year 1990. If these funds are intended for annual operating costs, why do you need two-year availability?

Answer. The major component of operating costs for the system will be for the key entry and initial processing of data from the Form 5500 annual reports. This data is also used by the IRS which receives the filings and will be undertaking the data entry and initial processing for the Department of Labor. Form 5500 reports are received beginning in July of each year. The annual operating cycle, therefore, crosses two fiscal years, with the peak period occurring between July and November of each year. Two year budget authority has been requested in order to fund the full first year operating cycle to ensure that there will be no disruption during this critical start up period.

Question. Why shouldn't we wait until next year to consider operating costs?

Answer. The system will become operational in July of 1989 when the plan year 1988 annual reports are begun to be received at the IRS Service Centers. Waiting until FY 1990 to provide operating funds would introduce a delay of at least three months and potentially disrupt the operations of the IRS Service Centers which must accommodate the varying cycles of the many different types of returns that they process.

Question. Do you intend this data system to be operated under contract, rather than "in house"?

Answer. The data entry and initial processing components of the system will be operated by the IRS. A Memorandum of Understanding regarding this was signed by both agencies in February. The data storage and access system is expected to be operated on facilities obtained through contractual arrangements. The application of the data for enforcement and policy research programs will be conducted "in house" with the assistance of specialized contractors when necessary.

ESIP

Question. Based on GAO and Inspector General recommendations, the Labor Department developed a new Employee Retirement Income Security Act enforcement strategy. The strategy requires that 50 percent of the ERISA enforcement be directed to a limited number of areas where there exists a significant potential for abuse. Does the Labor Department plan to assess the effectiveness of the strategy? How and when will this be done?

Answer. Reviewing the effectiveness of the ERISA Enforcement Strategy Implementation Plan (ESIP) has been an ongoing effort since the inception of the strategy. Monthly, quarterly and annual reports have been generated regarding case production, case results, the numbers of plans and plan participants affected and the number of cases being referred for litigation. To this point, the strategy has been successful in its goal to initiate and complete investigations which affect the greatest number of plans and plan participants. Ongoing analysis is being conducted in order to fully recognize the potential impacts the ESIP will have on the employee benefit plan industry.

The strategy was announced in December of 1986 and was phased in during the remainder of the fiscal year. At the end of FY 1988, we will conduct an overall review of the progress of the strategy.

TARGETING

Question. How are specific plans within the targeted categories identified for investigation?

Answer. PWBA uses various internal and external sources to identify potential violations of ERISA and to target cases in accordance with the ERISA Enforcement Strategy Implementation Plan (ESIP). Internal sources include computer targeting programs which use Form 5500 series report information and industry information on service providers to welfare plans and financial institutions. External sources used to target cases for investigation primarily include referrals from other Federal and state agencies and complaints by plan participants and related parties.

ERISA ENFORCEMENT

Question. Has the Labor Department assessed its ERISA enforcement staffing needs? If so, were they used to develop the 1989 budget estimates?

Answer. Our 1989 budget estimates were developed based on an assessment of resource needs in relation to our current enforcement goals. In FY 1987, we implemented a new enforcement strategy which focuses our resources on significant issue investigations. Further, during FY 1989 we plan to implement the ERISA data base which will further increase the effectiveness of our enforcement program. With these initiatives we feel that with the resource levels contained in our FY 1989 budget request, we can accomplish our major enforcement goals.

COMPLIANCE WITH ECONOMIC SUMMIT

Question. What would be the impact of providing the President's budget request, minus 4 percent, for each Labor Department account?

Answer. Taking an across the board reduction against Department of Labor discretionary programs, rather than applying selective reductions as contemplated by the President's Budget, would place a financial strain on the Department and jeopardize our ability to carry out our statutory responsibilities under the various laws we administer. The reductions would initially affect our internal staff and operations, then would later impact those segments of the American labor force served by us.

The first area of reduction from the President's Budget request would be the cancelation of over $30 million in program enhancements necessary to accommodate the decrease. These would include:

-- $4.7 million to restore the Older Americans program to last year's level.

-- $4.7 million and 52 FTE for safety and health enforcement in California.

-- $5.5 million and 21 FTE for a Bureau of Labor Statistics central business list for Federal government use.

-- $3.2 million and 43 FTE for a revision of the international price program.

-- $3.4 million and 50 FTE for implementation and enforcement of the Immigration Reform and Control Act.

-- $1.1 million and 20 FTE to provide increased homeworker enforcement.

-- $805,000 and 14 FTE for the Office of Labor Racketeering.

In addition to the above program increases which could not be provided, if this reduction were applied to proposed programs when they were authorized, reduced funding would be available for the new Worker Readjustment program supported by Congress and the Administration and projected at a funding level of $948 million.

Beyond the program increases not supportable at the reduced level, the Department would be required to absorb approximately $90 million in mandatory cost increases associated with higher personnel costs and inflation in non-personnel areas such as travel, rent, and utilities.

Further, the reduction would take us approximately $200 million below the current 1988 levels for our major grant programs, principally in the Job Training Partnership and Older Americans Act areas, as well as the State Unemployment Insurance and Employment Service Operations account. Overall for the Department, a reduction of over two percent below 1988 would be necessary.

When confronted with budget reductions such as this in the Department's salaries and expenses, our policy is always to cut from the non-personnel area first. Reductions in force are always considered to be an action of last resort. Because financing for the Department's salaries and expenses accounts has been relatively constant in the recent past, the accommodation of this decrease may not be possible without reductions in employment and level of services.

GAINSHARING

Question. Don't we really need to look at some of these innovative workplace arrangements if we are to fully harness the cooperative power of American industry and labor?

Answer. Indeed, I believe we do need to look at these innovative workplace arrangements so that we can identify and learn from the most successful. In fact the department has had several activities underway independent of the committee's request for a feasibility study on gainsharing which touch directly on evaluating gainsharing programs.

Specific activities which are currently underway include:

1) A comprehensive review of innovations in industrial relations being conducted by Robert B. McKersie, Professor of Industrial Relations at MIT. This is expected to be completed this Fall.

2) A proposal for a DOL Task Force on Excellence in Working which would study innovative pay plans, and report to the Secretary within one year.

3) A research project being conducted by the Pension and Welfare Benefits Administration on employee stock ownership plans. This project will be completed by the end of this year.

4) As an ongoing effort, the Secretary's Management System highlights incentive pay plans and gainsharing as a goal under the category of improving the quality of the American workplace. As information is developed on this management objective, it, too will be useful prior to the feasibility study.

Accordingly, we have proposed to the committee that we delay submitting the feasibility study while we are able to evaluate the important information being developed through these activities.

Question. Could you tell us a little bit about your views of gainsharing and other similar ways to raise the productivity of our workers and the stake they have in their company's success?

Answer. Nowadays employers, employees and their unions are experimenting with different structures and relationships, different levels of employment security, different forms of training and retraining, and different forms of compensation. Employers and employees in many instances are becoming mutual stakeholders, sharing both the pain and gain of the enterprise.

At the same time, I believe it is prudent to recognize potential difficulties and limitations that might interfere with the success of a gainsharing program.

It seems clear that gainsharing programs are most successful where gainsharing is a piece of an inherently cooperative labor-management relationship which also includes concepts such as employee involvement, reduced hierarchy, diffused responsibility, and employment security.

Thus, gainsharing is but a part or parcel of a much larger human resource management strategy. As a mere addendum to a traditional organization, gainsharing's impact on productivity is both minimal and short-lived. As a central piece in a holistic organizational change strategy, substantial and lasting results have occurred.

COVERAGE OF THE FAIR LABOR STANDARDS ACT

Question. In 1985, coverage under a 1985 Supreme Court decision of the Fair labor Standards Act was extended to about 7.7 million State and local government employees. What new investigative policies and strategies have been established to monitor and review the State and local government employers compliance with minimum wage and other requirements?

Answer. When assessing public sector compliance with the Fair Labor Standards Act, the Wage and Hour Division applies virtually the same policies and strategies used in investigations of the private sector. However, public sector employers do have various options and exemptions not available to private employers. Compliance officers must take into account the FLSA Amendments of 1985 in the area of compensatory time off, multiple job situations, volunteers, and employee discrimination. State and local government legislative employees (except legislative library employees) are not covered.

Question. How many additional compliance officers or investigators have been added to handle the increased caseload?

Answer. The Wage and Hour Division requested and received ten (10) additional compliance officer FTEs in FY 1987.

Question. How many complaints were received from State and local employees during fiscal years 1987 and 1988 about alleged violations of the act by State and local government?

Answer. In FY 1987, the Wage and Hour Division received 1,290 complaints from State and local government employees. In FY 1988, the Division is receiving approximately 104 complaints per month. This represents approximately 1,200 complaints per year which is consistent with our original estimates of 1,000 - 1,500 per year.

Question. How many investigations of these complaints have been completed? What is the complaint inventory at December 31, 1987?

Answer. The Division completed 941 State and local government investigations in FY 1987 and 564 investigations in the first five months of FY 1988. As of March 1988, there were 630 State and local government complaints in the inventory. Of these, 288 were under investigation and 264 were assigned to compliance officers for investigation.

Question. How much of an increase is expected in the number of complaints against State and local governments and what affect will the expected increases have on enforcement?

Answer. No increase in complaints from State and local government employees is expected. Between December 15, 1986 and March 31, 1988, the Division received approximately 1,560 complaints for an average of 104 per month. Existing resources are sufficient to handle these complaint workloads.

Question. What and how many targeted investigations have been performed in this area?

Answer. All of the investigations conducted by the Division have been as result of complaints received. No directed investigations have been conducted.

BLACK LUNG SUPPLEMENTAL

Question. Why doesn't your bill language request the specific amount of $54 million required to meet the fiscal 1988 Black Lung shortfall?

Answer. The bill language was drafted to assure that sufficient funds would be available to meet black lung obligations. It provides the flexibility of allowing less than the $54 million to be transferred - or more if the need should unexpectedly arise.

Question. Does the deficit estimate in the President's budget already include the additional outlays that would result from enactment of this bill language supplemental?

Answer. The deficit estimate in the President's budget does not include the additional outlays that would result from enactment of this supplemental.

BLACK LUNG/TECHNICAL ISSUES

Question. Since your bill language proposal for a supplemental will increase outlays by $54 million, why don't you request the money as a direct appropriation, instead of requesting a complicated transfer from the totally unrelated Employment Security revolving fund?

Answer. The direct appropriation to the Black Lung Disability Trust Fund only provides budget authority for incurring obligations to the trust fund. Under the legislation which created the trust fund, the mechanism for obtaining the cash to make outlays against the obligations is twofold. Cash is obtained from taxes on coal and, when the taxes are insufficient to meet the needs of the trust fund, provision was made to borrow cash from the Advances to the Unemployment Trust Fund and Other Funds appropriation. The decision was made to request a transfer from the Advances to the Employment Security Administration Account of the Unemployment Trust Fund because the necessary funds are available in that account and are not needed there during fiscal 1988.

Question. Can't you simply use existing authority to borrow against next year's appropriation to meet the shortfall in fiscal 1988?

Answer. No. The problem is cash rather than a budget authority issue. The authority to borrow against next year's appropriation is limited to the authority to borrow budget authority. Authority does not exist to borrow cash above that level provided in the Advances to the Unemployment Trust Fund and Other Funds appropriation.

QUESTIONS SUBMITTED BY SENATOR ROBERT C. BYRD

BLACK LUNG CLAIMS PROCESSING

Question. I am pleased to note from the Department's Fiscal Year 1989 budget justification that the backlogs at the Administrative Law Judge level will be eliminated in 1989, with an anticipated disposition rate of 10,150 cases in FY 1988. Is the disposition rate on schedule to achieve the 10,150 disposition rate in FY 1988?

Answer. Yes. The Office of Administrative Law Judges (OALJ) is on schedule to dispose of 10,150 cases by the end of FY 1988.

Question. I note that the Department's FY 1989 budget justification calls for a reduction of staffing at the Administrative Law Judge level in FY 1989, with a disposition rate of 9,100. How many of these positions are Administrative Law Judges?

Answer. The OALJ will reduce its staffing level by eight (8) Administrative Law Judges in FY 1989.

Question. How many are support staffing?

Answer. The OALJ will reduce its staffing level by sixteen (16) support staff in FY 1989.

Question. Please provide the dollars associated with those staffing reductions proposed in your FY 1989 budget request.

Answer. The FY 1989 budget request reflects a program decrease of $1.5 million for the OALJ.

Question. What assurances can the Department provide that should these staffing reductions go forward, that the backlogs will be eliminated in FY 1989?

Answer. The OALJ will continue to reduce its pending level of Black Lung cases in FY 1989 in accordance with the Secretary's Black Lung Task Force Report. The one time increased funding level in FY 1988 will allow the OALJ to dispose of more cases than planned. The reduction of 24 FTE will not delay the OALJ in meeting the Task Force's goals, as originally scheduled.

Question. What steps are being taken by the Department of Labor to address the turnover of personnel, and to increase the number of dispositions at the Board?

Answer. Fiscal Year 1987 was one of unprecedented high turnover among attorney staff of the Benefits Review Board. During the fiscal year the Board experienced a loss of 44 attorneys (out of whom 13 were supervisory attorneys) of a total of 94 attorney positions. This high turnover rate coupled with the lengthy training period (4 to 6 months) for replacement had a negative impact on production during fiscal year 1987 and this impact has carried into the first few months of fiscal year 1988. The Board is now in a position of being almost fully staffed and with just a handful of attorneys in a training status. This is reflected in the Board's production being in the 350-400 case range for the last several months.

Two factors have had a positive effect on the Board's production rate. First, the grade structure for attorneys at the Board has been raised so that the grades are competitive with other public service positions. This has practically eliminated attrition due to attorneys going to other agencies for higher grades. Secondly, the Board has instituted several management initiatives which are contributing to increased production. One such initiative is the establishment of a "Pass-Thru" program in which certain staff attorneys are given full responsibility for a case regarding factual accuracy and issue resolution. The case, once completed by the staff attorney, is reviewed by only one supervisory level and only for legal accuracy. Once approved by the supervisor the case skips other review levels and goes directly to an assigned panel of three judges for a vote. Another such management initiative is the "Oral Presentation" system. In this system, approved staff attorneys avoid the written memorandum stage in processing the case by orally presenting the case to an assigned panel of judges for a vote at the time of presentation. Both of the management initiatives are more efficient and contribute to moving cases through the system faster and more efficiently.

BLACK LUNG FIELD OFFICES

Question. Do you have plans to close any of the Black Lung field offices in West Virginia in FY 1989?

Answer. Although we did propose in our 1987 budget request to close the Black Lung field stations, there is no such proposal to close field stations or any other offices in FY 1988 or 1989.

TRADE TRAINING

Question. Would you detail, by State, the amount of money requested under the Trade Adjustment Assistance Program for training, and the amount of funding released?

[The information follows:]

FY 1988 TRADE TRAINING ALLOCATIONS
AS OF 4/30/88

	Amount Requested *	Amount Allocated
Arizona	$210,000	$185,000
Colorado	952,001	428,024
Connecticut	137,363	127,708
Florida	694,558	489,540
Idaho	42,150	42,150

FY 1988 TRADE TRAINING ALLOCATIONS
AS OF 4/30/88

	Amount Requested *	Amount Allocated
Illinois	6,777,000	4,373,326
Indiana	377,008	252,862
Iowa	456,700	306,311
Kentucky	163,075	158,075
Louisiana	1,548,000	870,706
Maine	522,000	382,432
Maryland	500,000	335,353
Massachusetts	1,258,000	677,543
Michigan	2,207,000	1,149,211
Minnesota	1,078,584	336,220
Mississippi	10,000	10,000
Missouri	247,340	247,340
Montana	22,785	22,785
New Hampshire	130,000	130,000
New Jersey	2,367,000	863,192
New York	9,226,294	4,454,765
North Carolina	44,000	44,000
Ohio	1,699,000	660,039
Oregon	1,934,662	907,837
Pennsylvania	16,585,000	5,876,711
Rhode Island	75,000	75,000
South Carolina	3,000	3,000
Tennessee	228,095	185,500
Texas	14,682,680	2,312,606
Utah	405,300	200,000
Virginia	689,400	395,245
Washington	9,318,361	2,450,104
West Virginia	3,000,000	1,474,342
Wisconsin	326,500	218,986
Wyoming	3,000	3,000
Puerto Rico	16,000	16,000
TOTALS	77,936,856	30,664,913

* May include duplicate requests for amounts previously denied.

QUESTIONS SUBMITTED BY SENATOR QUENTIN N. BURDICK

JOB CORPS

Question. Congress mandated that the Department of Labor expend $89 million for "Construction, Rehabilitation, and Acquisition of Job Corps Centers in PY 88". How will these monies be expended? Please specify.

Answer. The total amount of capital funds available for facility acquisitions and improvements may not be as great as indicated in the 1988 appropriation. This is so because approximately $28.2 million in capital funds must be transferred to cover a shortfall in the amount appropriated for 1988 operating costs. A 1988 supplemental that would allow the transfer of capital funds to be used as operating funds is currently being considered by the Congress.

After deducting this $28.2 million, $60.8 million will remain in the 1988 capital account. The Department plans to use these funds to cover the $36.9 million baseline requirement for improvements at existing centers and use the remaining $23.9 million to relocate two or three existing centers that are now situated in facilities that do not provide an environment or setting that is conducive to effective operations and positive enrollee outcomes. This spending plan reflects the Department's position that it is of greater importance to invest facility resources to correct problems at existing centers than to expand the program by acquiring and opening additional Job Corps Centers.

Question. As I understand, the Department is taking the position that it is not bound by the statutory language in the 1988 Continuing Appropriations Conference Report, in spite of the abundantly clear Congressional intent as to what "Construction, Rehabilitation, and Acquisition" means. Is this correct, and, if so, what is the basis of this position?

Answer. The Department recognizes that the capital funds now earmarked by statute for the construction, rehabilitation and acquisition of facilities can be used only for those purposes and may not be used for Job Corps operating expenses. That is why we are requesting a supplemental that would expressly permit the transfer of up to $30 million from the capital account to the operations account.

Question. The Department of Labor's Five-Year Capital plan calls for a $37 million outlay in PY 88 for repairs and improvement. Please specify how much money will be expended within each category of the five year capital plan.

a. Life and Safety Violations
b. Code Violations
c. Repair/Rehabilitation
d. Program Improvements

Answer. The current Job Corps 5-year plan for facility construction, rehabilitation and acquisition is as follows:

Funding Needed For Existing Facilities	$183.2 million
Health and Safety Related Corrections	$10.2 million
Improvements to Meet Architectural/ Engineering Standards	$50.0 million
Repair and Replacement	$85.5 million
Programmatic Enhancements	$37.5 million

The figures displayed above are estimates developed by architectural and engineering staff based on facility survey data current as of March 1988. Facility surveys are normally conducted at each Job Corps center once every two years. The survey schedule is staggered to even out the workload. Therefore, with 105 centers to survey every two years, we average about one survey every week. The 5-year plan for existing sites is constantly updated to reflect the findings and recommendations of the latest facility survey reports.

As indicated in an answer to an earlier question, we plan to allocate $36.9 million in Program Year 1988 capital funds to existing facilities. Of this amount, $4 million will be reserved for unforeseeable emergencies and contingencies caused by storms, fire damamge and so forth. The remaining $32.9 million will be applied to items contained in the 5-year plan outlined above. We are still in the process of formulating the specific item-by-item allocations and are not yet in a position to indicate how the funds will be distributed among the four different categories.

Question. Of these categories of capital expenditures, which ones are absolutely essential?

Answer. Health and safety corrections are our first priority. We consider for the existing sites, funding for all categories other than programmatic enhancements important. It is difficult to rank these large categories in terms of importance, other than as noted as above, because the needs at centers vary so much and a repair may be more necessary than meeting an architectural standard in one site, where the reverse may be true at another. As we have noted elswhere, we do have several centers slated for relocation. We believe four of these centers should be relocated as soon as possible. The relocation of the two remaining centers (Cincinnati and Atlanta) could be deferred until the early 1990's.

Question. What are the administrative alternatives to handling the $30 million operations shortfall in lieu of a reprogramming request on a supplemental?

Answer. If the supplemental language is not approved, the Department would remedy the shortfall in 1988 operating funds by administratively transferring $28.2 million in 1987 funds currently budgeted for facility improvements to cover 1988 operating expenses. This would be done by delaying the issuance of $28.2 million worth of design and construction contracts reflected in our 1987 budget and scheduled for award during the last two months of the program year. The 1987 funds thus released would then be obligated to a number of existing center operations contracts that will remain in place during the 1988 program year. With respect to the $28.2 million in construction projects that would be held in abeyance in PY 1987, the Department would proceed to issue the contracts after the 1988 program year begins using funds from the 1988 facility account. In practical terms, this means that $28.2 million of the $89.0 million earmarked for facilities in the 1988 appropriation would be "mortgaged" for "old" construction projects and only $60.8 million will be available for "new" facility-related undertakings.

Question. Given your adminstrative solution, couldn't congressional priorities still be followed? (In other words, spend less on regular capital and use a portion of the funds to open new centers)

Answer. The administrative remedy described in answer to the preceding question does not affect the net amount of resources available for the construction, rehabilitation and acquisition of facilities. It is simply another way fill the $28.2 million shortfall in funding for Program Year 1988 operating expenses by reducing the availability of funding for "new" capital undertakings in Program Year 1988 from $89.0 million to $60.8 million. Our priorities for the use of the $60.8 million remain the same, i.e., allocating $36.9 million to existing facilities and using $23.9 million for relocations of existing centers.

Question. There is a strong possibility that either the FY 88 Supplemental Appropriations bill or the FY 89 Appropriation bill funding the Department of Labor will include legislative language directing the Department to allocate the PY 88 funds in the manner intended by Congress. At what rate will the PY 88 funds be obligated and will sufficient funds be available for new centers should this type of language be included in either of the bills just mentioned?

Answer. Depending on the size and complexity of the particular project, contractual obligations of funds for the construction, rehabilitation or acquisition of facilities can require lead-times that last as long as two to three years. If the Congress takes the type of action suggested in your question there will be an important concern whether a binding congressional mandate to open new centers will make it impossible to keep all existing centers in operation. We also believe that such a mandate that increases costs in the future would be a violation of the Bipartision Budget Agreement.

Question. If not, is the Department prepared to adjust its planning procedures to carry out such a provision should it become law?

Answer. As indicated in our answer to the preceding question, our existing planning and procurement procedures will not hinder us but there is an overridding concern that such a provision will make it difficult, if not impossible, to keep all existing centers in operation. Also, such direction that creates additional fixed costs in the future would be viewed as breaching the Bipartision Budget Agreement.

QUESTION SUBMITTED BY SENATOR DANIEL K. INOUYE

JOB SERVICE AUTOMATION

Question. What is the U.S. Department of Labor doing to assist States in automating their job services and information dissemination for better service to its residents?

Answer. As expressed in the Job Training Partnership Act amendments to the Wagner-Peyser Act, the Governor of each State has major responsibility for decisions about the operation of the public employment service within the State, including which services are to be emphasized, how and by whom they will be delivered, and the extent of automation.

The Department of Labor encourages use of automated technology by State Employment Security Agencies (SESAs). In this regard, we are sponsoring a telecommunication system that will link labor supply and demand areas in five States and demonstrate full job/applicant information interchange, applicant and employer self search, and direct job order input by employers through computer terminals. Successful methods will be publicized for adoption by other SESAs. In addition, the Employment and Training Administration is preparing to fund a study of existing automated networks in systems other than the ES, which may be adaptable for area, State and interstate labor exchange and labor market information.

QUESTIONS SUBMITTED BY SENATOR DALE BUMPERS

FUTA ACCOUNTS

Question. We are concerned about the three accounts that compose the Federal Unemployment Tax Account (FUTA) - the Federal Unemployment Account (FUA), the Extended Unemployment Compensation Account (EUCA) and the Employment Service Administrative Account (ESAA). We would like to know what are the balances in these accounts and what are the projected balances for the next five years?

Answer. The October 1 balances for Fiscal Year 1988 and estimates for each of the next five years are shown in the table below.

Status of FUTA Accounts
($ in billions)

Fiscal Year	ESAA	EUCA	FUA
1988	$1.06	$1.85	$1.95
1989	1.05	4.43	2.97
1990	1.08	6.58	3.75
1991	1.10	7.02	5.95
1992	1.13	7.51	7.72
1993	1.16	8.03	10.62

Note that the above table shows start of year balance after overflows from ESAA to EUCA and FUA.

Question. In addition what are DOL's plans for distributing the excess balance to the States?

Answer. The Omnibus Budget Reconciliation Act of 1987 increased the EUCA and FUA ceilings beginning in 1988 to 0.375 percent of covered wages and 0.625 percent of covered wages respectively. The ceiling in 1993 for the FUA is $14.23 billion and only after that ceiling is exceeded can a distribution to States be made. DOL therefore currently has no plans for any distribution, based on current estimates.

QUESTIONS SUBMITTED BY SENATOR LOWELL P. WEICKER, JR.

OSHA MONITORING AND ENFORCEMENT

Madame Secretary, we cannot bring back the lives of the twenty-eight workers at L'Ambiance, but we can try to prevent another unfortunate accident like this from occurring again. Some of the measures we can take are to ensure tougher oversight by OSHA, increase the training of OSHA inspectors, and tighten the safety standards imposed on employers.

Question. I understand that OSHA currently has 1,153 compliance officers — or inspectors, if you will — to monitor approximately six million worksites, or roughly one inspector for every 5,000 sites. Although that number represents an increase of about 100 over the number on board at the end of FY '87, it still doesn't sound like a sufficient number to ensure the health and safety of all the nation's construction workers. First, do you agree with that assessment?

Answer. We would agree with an assessment that held that it is not realistically possible to ensure the health and safety of all of the nation's construction workers through inspections and citations alone and that an increase in staff would not alter that conclusion. Working towards that objective requires the education and commitment of management in individual firms within affected industries as well as the actions of OSHA compliance officers. In creating OSHA, Congress recognized this fact by placing ultimate responsibility for workplace safety and health with the employer.

Question. Second, did the Department of Labor request funding for additional compliance officers in its FY '89 budget request to OMB?

Answer. Yes. The Department's budget request for OSHA contained funding for additional compliance officer FTE associated with increased coverage in California.

Question. Of those 1,153 compliance officers, how many actually perform on-site inspections?

Answer. All 1,153 compliance officers are involved in the performance of on-site inspection activities. The majority are experienced inspectors who conduct inspections and investigations without direct on-site supervision. Also included in the count are less-experienced or new compliance officers who may conduct inspections or accompany and assist more experienced inspectors in the preparation, conduct and follow-up of on-site inspections. A third component of the 1,153 count consists of the compliance officer supervisors. This group oversees and reviews the on-site inspection process and might directly assist in the conduct of on-site inspections for the most difficult and complicated inspections.

Question. What work is performed by those not conducting inspections?

Answer. OSHA compliance officers perform a number of activities in addition to conducting on-site inspections. Foremost among these is the work conducted off-site to prepare for and complete an inspection. In addition to direct inspection-related activity, compliance officers are also involved in outreach activities such as responding to public inquiries or providing training to employer/employee groups. Finally, all compliance officers, regardless of experience, are expected to spend some amount of time in training to heighten their skills and keep abreast of changes in the safety and health environment.

Question. Further, I understand that approximately twenty inspectors are being shifted from other regions in the United States to cover the state of California, which has recently come under the umbrella of OSHA. Isn't this simply going to compound the shortage of on-site inspectors?

Answer. The temporary assignment of inspectors from other regions of the country to California was a necessary action to address OSHA's immediate safety and health responsibilities in California when the State ceased its private sector coverage. With the hiring of experienced Federal compliance officers in California, OSHA's plan calls for the elimination of temporary assignments of compliance officers from other areas.

Question. How do you plan to compensate for this diversion of personnel in the other regions of the country?

Answer. As previously indicated, OSHA's plan does not envision the continuation of temporary assignments of compliance officers from other regions of the country. To the extent that it already occurred, OSHA adjusted program priorities and staff assignments to maintain its enforcement presence.

VACANCY OF SPECIAL ASSISTANT FOR CONSTRUCTION

Question. I understand that the OSHA position of special assistant for construction has been left vacant for the past three years. The responsibilities of the special assistant are to serve as a liaison to industry, to review legislation, to evaluate OSHA's efforts to promote voluntary compliance, and finally to encourage the construction industry to establish occupational safety and health programs. Why has that position remained vacant, and how soon may we expect that job to be filled?

Answer. The position of special assistant for construction has been filled since March 14, 1983, by Donald F. Rodgers. While Mr. Rodgers has been concurrently on a special assignment for the Secretary of Labor for the past 18 months on activities relating to the aged, he has been and continues to be available for assistance on issues related to the construction industry.

BUDGET REQUEST TO OMB

Question. Madam Secretary, what was your Department's original FY '89 budget request to the Office of Management and Budget (OMB)? How does this compare to the request before the Subcommittee today? What areas were you forced to reduce, or increase, as a result of the direction of OMB?

Answer. The following table provides the information requested by appropriation account:

Column 1 displays the Department's original FY 1989 budget request to OMB. Column 2 displays the Department's Budget.

The amounts in column 2 are those necessary to reach the agreed-upon FY 1989 Gramm-Rudman-Hollings budget targets specified in the Bipartisan Budget Agreement. The allocation of resources among the accounts reflects priorities within the total available obligational authority under the Bipartisan budget agreement.

Column 3 indicates the areas of reduction or increase between the Department's original request (column 1) and the President's Budget request (column 2). These were the changes made to meet program priorities within the level of resources available under the Bipartisan Budget Agreement.

COMPARISON OF 1989 BUDGET REQUESTS
($'s in thousands)

	FY 1989 Request To OMB	FY 1989 President's Budget	DIFFERENCE
EMPLOYMENT AND TRAINING ADMIN.	7,345,955	7,383,414	37,459
Program Administration	137,380	118,896	(18,484)
Training and Employment Service	3,473,995	3,430,824	(43,171)
Worker Readjustment	982,000	980,000	(2,000)
Community Service for Older Americans	326,000	336,000	10,000
State Unemployment Insurance and Employment Service Operations	2,390,580	2,393,694	3,114
Advances to UTF and other funds	36,000	124,000	88,000
LABOR-MANAGEMENT SERVICES	83,145	73,059	(10,086)
PENSION BENEFIT GUARANTY CORPORATION (Administrative)	62,551	54,232	(8,319)
EMPLOYMENT STANDARDS ADMINISTRATION	1,139,988	1,195,985	55,997
Salaries and Expenses (GR & SVC) *	220,988	215,015	(5,973)
Special Benefits	226,000	292,000	66,000
Black Lung Disability Trust Fund	692,244	688,214	(4,030)
Treasury Admin. costs (indefinite)	756	756	0
OCCUPATIONAL SAFETY & HEALTH ADMIN.	256,921	244,851	(12,070)
MINE SAFETY AND HEALTH ADMINISTRATION	173,141	164,597	(8,544)
BUREAU OF LABOR STATISTICS	245,449	236,720	(8,729)
DEPARTMENTAL MANAGEMENT	319,944	305,228	(14,716)
Salaries and Expenses *	128,280	117,624	(10,656)
Veterans Employment and Training	144,099	142,406	(1,693)
Special Foreign Currency Programs	0	0	0
Working Capital Fund	0	0	0
Office of the Inspector General *	47,565	45,198	(2,367)
TOTAL, DEPARTMENT OF LABOR	9,627,094	9,658,086	30,992

* The related BLDTF dollars are included in ESA as part of BLDTF dollars.

NOTE: UTF funds are included in Agency totals.
Entitlement programs under FY 1989 Request to OMB reflect assumptions as of September 1987.

JOB CORPS DISABILITY CENTER

Question. For several years I have been concerned that there was not a Job Corps center specifically designed to serve disadvantaged youth with disabilities. In 1986 I wrote to Department and urged the Secretary to move in this direction. Again, in last year's Senate report on the Labor-HHS and Education Appropriations Bill, the Committee clearly expressed its intention that Job Corps funds expand Job Corps programs for the disabled. What has the Department done to implement the direction of the committee?

Answer. We currently have two Job Corps centers that are accessible to mobility impaired enrollees (e.g., those confined to wheelchairs) as well as to enrollees who are either totally blind or totally deaf. One of these centers is in Gainesville, Florida and the other is in Little Rock, Arkansas. Later this year, structural modifications will be completed at the Job Corps center in Sacramento, California, at which time it will also begin accepting individuals with the same types of severe disabilities. In addition, there are six other Job Corps centers that enroll individuals who have partial vision or partial hearing.

Question. Does the Department have plans to open a Job Corps center for the disabled?

Answer. At this time, we have no plans to open any new Job Corps centers.

Question. It is my understanding that the Department's Job Corps II initiative is intended to identify new approaches to improve outcomes for Job Corps enrollees through pilots and demonstrations. As you know, a group in Connecticut has proposed a project to establish a Job Corps center for the disabled and have identified funding sources for 50% of the cost outside of federal funds. Has the Department considered this project under the Job Corps II initiative?

Answer. This possibility was considered, but we concluded that sufficient funds were not available in the one-time Job Corps II budget for the establishment of a new residential facility as proposed by the Connecticut group.

Question. Does such a project fit the goals of the Department's Job Corps II initiative?

Answer. In broad terms, yes. However, as suggested in our answer to the preceding question, we determined that this particular project would place too heavy a demand on the Job Corps II budget.

JOB CORPS FACILITIES

Question. Your budget documents for FY'89 request less money for rehabilitation of facilities because the 1988 appropriation provided funds in excess of baseline requirements. At the same time, the Department refused to comply with the direction of the Congress to establish new centers, arguing that relocating existing centers was of "greater importance" and the funds provided were not sufficient to do both. How much does the Department plan to spend on the relocation of centers in FY'88?

Answer. The Department believes that maintaining a safe and suitable learning environmment at existing centers is more important than opening new centers. We plan to allocate $23.9 million for the relocation of at least two existing Job Corps centers.

Question. Whose decision was it to devote all funds in "excess" of baseline requirements on relocating centers and lowering the rehabilitation request for FY'89? The Job Corps? DOL? OMB?

Answer. These were essentially Department of Labor decisions that were subsequently concurred in by OMB.

Question. Given the clear direction of Congress in the conference report, why did the Department not implement the reduction of funds for operating and capital improvements in proportion to the allocation in the conference report?

Answer. Based on our knowledge of the physical condition of many existing Job Corps centers, we take exception to the specific capital allocations recommended in the conference report and maintain that the purchase and renovation of facilities for new centers would be an inappropriate expenditure. Our plan in Program Year 1988 is premised on the availability of $60.8 million for construction, rehabilitation and acquisition of facilities. The top priority is to provide for the baseline budget of $36.9 million to correct deficiencies at existing facilities that have been identified through the biennial survey process. With regard to the remaining $23.9 million, the next priority is to relocate at least two of the six existing Job Corps centers where the facilities are in generally poor condition and do not provide a suitable learning environment.

Question. Could the Department have devoted any resources for new centers?

Answer. As indicated in the answer the to preceding question, our judgment is that this would be an inappropriate allocation.

Question. Did the Job Corps request money for this purpose to the Department?

Answer. ~~The~~ Employment and Training Administration request to the Department of Labor did not ask for funds to open new centers.

Question. Did the Department submit a request for new centers to the OMB?

Answer. No the Department did not submit a request for new Job Corps centers to OMB.

JOB CORPS AIDS TESTING

Question. Last year the Department testified that the Job Corps implemented a policy of testing all new residential enrollees for AIDS. Can you please provide me with information about its implementation? What were your findings?

Answer. After one year, 65,045 incoming enrollees have received AIDS tests, of whom 268 had a confirmed positive test.

Question. What sort of follow-up is there for those who tested positive? Is there counseling?

Answer. Corpsmembers who have a confirmed positive test are given counseling at their Job Corps centers. If possible, the corpsmembers remain in Job Corps, but in a non-residential situation. Otherwise, they are referred to non-residential training offered by JTPA-SDA's and other service delivery agencies and they are also referred to appropriate medical care. Thus far, more than 25 percent of these individuals have been able to remain in Job Corps in a non-residential situation.

Question. Do you anticipate any changes to the policy of testing all new enrollees?

Answer. No changes to our current policy are anticipated.

Question. What has the cost been?

Answer. AIDS testing costs are now running at slightly less than $300,000 per year.

DISLOCATED WORKERS

Question. The Department's justification assumes Congress will act to implement the proposed worker readjustment program and therefore does not request any funds for Title III, the Dislocated Worker Assistance Program. Should Congress not approve the new program, would you support funding Title III in FY'89? If so, at what level? What would be necessary to maintain current services?

Answer. Yes, the Department would support continued funding of Title III. The Department's view is that the current program should be continued until such time as new legislation is enacted. A continuation of the current policy level from 1988 would be $287 million; the current services level in FY 1989 for this program is $293 million.

SUMMER YOUTH

Question. The President's request for Title II-B, the Summer Youth and Employment Training Program, is the same as last Year's appropriation and the participant cost also is projected to stay the same as FY 88. Why then does the Department estimate serving 1,800 fewer youth in FY 89?

Answer. The slight decrease in participants estimated to be served by the 1989 request is due to a decrease in funds carried over from the 1988 Summer program although the rate of carryout as a percent of availability remains at 10.5 percent.

Question. I understand that the President proposes to provide authorization for service delivery areas to operate a year round Title II-B program. What is the projected impact on participation and participant costs if Congress granted this authorization?

Answer. Since service delivery areas (SDA) could provide services year round and the types of services offered would be more intensive, the costs per youth could go up. Of course, the impact on cost and participation would ultimately depend on how many SDAs choose to operate the year round program and on what type of services were offered.

Question. What support exists outside of the administration for permitting the program to operate year round? Are there particular regions of the country that support the proposal?

Answer. Based on discussions with State JTPA liaisons and local program operators, we believe that many areas, if allowed, would use a portion of their Title II-B funds for a year round program. Under our proposal the traditional summer program could continue unchanged or they could opt to run a year-round program or some combination of the two. The preferences on this program design do not show a regional pattern.

HOMELESS JOB TRAINING

Question. During the second session of the 100th Congress, the Senate will be considering the extension of authorization for the Stewart B. McKinney Homeless Assistance Act. One program established by the Act was the Job Training for the Homeless Demonstration Program. Although the Congress recognized the demonstration projects would not solve the problem of jobs for the homeless, it was intended to provide a source of direction for future job training services for homeless Americans.

What has the Department done to implement this demonstration program?

Answer. The Department has designed the demonstration program and published a notice of fund availability and a competitive solicitation for grant applications in the Federal Register on April 19. Applications are due June 19 and the grants are expected to be awarded by late summer. The overall purpose of the program is to provide information and direction for the future of job training for homeless Americans.

Question. It appears the Department has already determined the direction for future homeless training services for the homeless. Can you assure me that the results of the demonstration projects will receive objective analysis?

Answer. The Department has not determined this direction. There will be an objective analysis of the projects, as specified in the grant solicitation. Individual projects will be evaluated, and there will also be a national evaluation across all grantee projects. The national evaluation, which ETA will manage, will result in a final report to the President, the Congress, and the Interagency Council on the Homeless by April 1, 1990. In addition, the Interagency Council must evaluate each project receiving assistance.

Question. How do you plan to implement recommendations which arise from the program?

Answer. It is too early to provide a definitive answer. However, it is anticipated that the primary recommendations will be directed to the Congress. The conference report on the McKinney Act stated that "additional information and data are needed before a detailed national policy on training for the homeless may be developed."

Question. How much will local JTPA programs spend on homeless job training in FY 1988?

Answer. The JTPA system does not provide information on JTPA expenditures for job training of the homeless.

JTPA TITLE II-A STATE BLOCK GRANT

Question. The budget justification indicates that enrollment under the Job Training Block Grant to States may decline slightly from FY' 88 due to "small increases in program costs and emphasis on improved services to the most disadvantaged population." What do you mean by "emphasis on improved services to the most disadvantaged"?

Answer. In giving direction to the JTPA system for the planning of programs for Program Years 88 and 89, in our performance standards instructions for the same period and in our technical assistance planning, we have emphasized three goals:

-- Increased service to individuals at risk of chronic unemployment, particularly youth;

-- The provision of training which leads to long-term employability; and

-- Increased basic skills and youth competency training.

We expect that these goals will result in serving a more at-risk population and requiring longer term program intervention.

Question. What do you plan to do in FY '89 that was not done on FY '88 to achieve this "new emphasis"?

Answer. During PY 88, we will continue to emphasize these goals and provide technical assistance toward their accomplishment. This should result in improvement by PY 89.

Question. How much is the expected program increase and what is the cost of improving services to the disadvantaged?

Answer. The actual increase will relate to a number of factors such as type of services provided and length of such services. We are encouraging SDA's to put more effort into longer term training and training in occupations that will lead to long term employment with advancement potential. Any "increased" services of this nature will, of course, be offset by a reduction in the types of services currently being provided. The net increase is difficult to measure at this time given the multitude of factors. We are hopeful that by the end of PY 1989 sufficient data will be available to provide more meaningful estimates.

TARGETED JOBS TAX CREDIT

Question. What is the Department's estimate for the first quarter costs of administering the Targeted Jobs Tax Credit?

Answer. $7.3 million would be needed for one quarter to fund TJTC at current services level of $29.3 million.

Question. Should Congress extend authorization for the TJTC program, what would the cost be of funding it for FY'89?

Answer. The FY 1989 current services level for TJTC is $29.3 million.

Question. How would the Department propose funding the TJTC program if its authority is extended?

Answer. If the program were extended without budget authority, States might absorb the workload within their allotments for labor exchange activities. Alternatively, some States might consider an employer user fee or State legislated appropriations.

Question. What would the impact be on State operations if no separate funding is provided?

Answer. Each State will assess the need for services in its specific economic environment and respond accordingly. The absence of funding would affect each State differently depending upon the level of demand for services and the degree to which States have adopted cost-saving procedures.

6% REDUCTION FOR STATE OPERATIONS

Question. The Department's budget requests a 6% reduction in funding for the allotments to States for Employment Service activities. If Congress does not authorize and fund the proposed Worker Readjustment program, what will be the impact of this reduction on State Employment Service operations?

Answer. We would anticipate some diminution of resources for the public employment service if the Worker Readjustment program is not passed but it need not have a deleterious impact on regular labor exchange activities,as many States continue to implement innovative and cost savings operations.

Question. Will any States be forced to close Employment Service offices? -If so, how many?

Answer. States manage their resources in a manner best suited to State priorities and local conditions. The Department does not regulate the number or location of offices nor equate the number of offices with a particular level of funding.

Question. What "State efficiencies" does the Department have in mind to absorb the cut?

Answer. The "efficiencies" to which we refer fall into the category of automation, reorganization of service delivery, and interagency cooperation. A significant number of States are using computers to improve the orientation of job applicants to the labor market and speed job search by self-directed methods. To improve coordination and realize cost savings, some States are reorganizing offices in co-located and jointly administered facilities.

QUESTIONS SUBMITTED BY SENATOR MARK O. HATFIELD

MIGRANT AND SEASONAL FARMWORKERS

Question. The President's Budget requests $7.6 million below the Fiscal Year 1988 appropriation for the migrant and seasonal farmworker program. Based on the Department's current estimates, how many fewer persons do you estimate will be served in FY 1988 and what percentage of the eligible population (again based on your present estimates) will be served?

Answer. The total participants estimated to be served by the FY 1989 request is 46,400 or 3,900 less than the 50,300 estimated to be served by the FY 1988 appropriation. This represents approximately 10 percent of the 462,153 persons estimated to be eligible for this program based on 1980 Census data. In addition, the Immigration and Naturalization Service (INS) estimates that there are currently 247,000 aliens who have applied for legalization under the Special Agricultural Workers (SAW's) provision of the Immigration Reform and Control Act of 1986 (IRCA). However, the INS eligibility criteria for SAW's do not include a poverty income criterion or other eligibility requirements mandated by Section 402 of JTPA, such as at least 50 percent of the total work time or 50 percent of income for the year preceding application being from farmwork. This means that many SAW's may not be eligible for Section 402 services.

Question. What percentage of the eligible population did the program serve in FY 1987?

Answer. During Program Year 1987, which ends June 30, 1988, we expect this program will serve approximately 10.3 percent or 47,500 of the 462,153 estimated to be eligible for this program based on 1980 Census data.

Question. What percentage of the eligible population do you estimate serving in FY 1988?

Answer. The FY 1988 appropriation will serve approximately 10.9 percent or 50,300 of the 462,153 estimated to be eligible for this program based on 1980 Census data. As stated earlier, the eligible population may increase somewhat, depending on the number of Special Agricultural Workers approved under IRCA who qualify for this program.

QUESTIONS SUBMITTED BY SENATOR ARLEN SPECTER

NEED FOR CHILD CARE IN JOB CORPS

Effect on Current Enrollment

Question. How many women are currently enrolled in the Job Corps program and what percentage of women enrolled have children?

Answer. Approximately 13,300 female Corp members were on board as of March 23, 1988. During the first six months of the 1987 program year (July 1987 through December 1987), the percentage of women enrollees with children was approximately 19%.

Question. What is the statutory requirement in the Job Training Partnership Act (JTPA) with respect to the percentage of women to be served in Job Corps?

Answer. JTPA Section 437 (a) states "The Secretary shall immediately take steps to achieve an enrollment of 50 percent women in the Job Corps consistent with (1) efficiency and economy in the operation of the program, (2) sound administrative practice, and (3) the socioeconomic, educational, and training needs of the population to be served."

Question. In light of this figure, what is the percentage of women enrolled in Job Corps today and has that changed appreciably in the past twenty years?

Answer. As of March 23, 1988, the figure was 33%. The figure in 1968 was 28%.

Question. Does the current capacity for female enrollment in Job Corps reflect the statutory mandate of 50 percent participation by females in the Job Corps?

Answer. Approximately 15,850 Job Corps slots are now earmarked for females or approximately 39 percent.

Question. How many women wanting or needing Job Corps training are screened out or denied participation in Job Corps because they have dependent children or arrangements for adequate child care cannot be made?

Answer. Since Job Corps does not maintain information on applicants who do not become enrolled, we are not able to provide system-wide statistical data regarding the number of women who are interested but decide not to enroll because of difficulties with child care arrangements. We are aware through anecdotal information that this does happen from time to time, but we have no firm numbers. As noted earlier, however, many young women with children do find it possible to enroll.

Recruitment and Retention

Question. A corollary issue deals with the retention of females in Job Corps, especially females with children. You have stated that approximately 19 percent of the females presently enrolled in Job Corps do have children, thus suggesting they have made their own child care arrangement. For those mothers that do enroll in Job Corps, has the lack of child care services affected their performance in learning their skill or trade? Has absenteeism or a high dropout rate been a problem?

Answer. An individual with dependent children cannot join Job Corps unless suitable child care arrangements have been made. This could range from baby sitting by a friend or relative at one end of the spectrum to enrollment in the onsite day care programs at Atlanta and San Jose at the other end. Anecdotal information from Job Corps center staff suggests that successful participation in the program by women with children is influenced by the reliability and convenience of child care arrangements.

Absenteeism is affected by the reliability of the child care arrangements. To illustrate, if a relative is providing the child care and suddenly decides to discontinue the arrangement, the Job Corps enrollee would need to suspend class attendance until alternative arrangements are made.

Question. What is the drop-out rate for Job Corps mothers?

Answer. Data for the first six months of the 1987 program year (July 1987 through December 1987) indicate that the early drop-out rate (those who drop out before 90 days) was running at 39% for females with children versus 31% for females without children.

Question. Do you concur with the view that the lack of child care capabilities in Job Corps is a major reason for the difficulty Job Corps has had in the recruitment of women? If you do not concur, what reason do you believe is the cause of this difficulty?

Answer. Lack of child care services may present a barrier to Job Corps enrollment for some young women with children. However, we cannot point to lack of child care services as the chief reason for recent underenrollment by women. The fact that almost 20 percent of the women in Job Corps do have children suggests that suitable child care arrangements can be made in many cases. It is our present thinking that there are other, more significant reasons for female underenrollment in Job Corps, including ineffective outreach efforts, a higher degree of reluctance by young women to leave home and reside on center, parental concern for a safe environment, and the need for a wider array of vocational offerings that are attractive to females.

Cost

Question. It is my understanding that there are two Job Corps centers which currently provide child care on an experimental basis. These facilities are located in Atlanta, Georgia and San Jose, California. What are the costs for operating the child care facilities at these two Job Corps centers?

Answer. Approximately $140,000 per year at Atlanta and $192,000 per year at San Jose.

Question. Have the programs at Atlanta and San Jose enhanced recruitment and retention of women?

Answer. The available statistical data are not conclusive with respect to the effects of onsite daycare on recruitment and retention, but the data suggest that performance in both areas is enhanced though more so with recruitment than retention.

Question. What were the original start-up costs for these two programs?

Answer. Both of these day care facilities were started more than 10 years ago, and we no longer have the necessary records to identify what the start-up expenses were.

Question. How much money would be required to fund the start-up of a residential Job Corps child care facility and program?

Answer. There are so many variables that there can be no simple answer to that question. If we are talking about the conversion of capacity at an existing Job Corps center, start-up expenses would be incurred for facility renovations and furnishings. A day care area would have to be provided and dormitory space would have to be converted into apartment units. In all likelihood, some changes would also be needed in the dispensary to provide medical care for infants. Our very rough estimate is that these costs would run in the range of $15,000 to $20,000 per family unit.

Question. Do you view the start-up and maintenance costs of such a program as prohibitive or do you feel the program could be cost effective in light of continuing public assistance costs that might be incurred in the future?

Answer. We do not believe that Job Corps should directly operate child care services on a wide scale. We believe, rather, that other agencies and programs are better suited for this mission and that our best strategy is to establish linkages with local day care providers and day care subsidy programs to meet the needs of female enrollees.

Question. Do you believe it would be beneficial to incorporate a new occupation of child care worker into Job Corps training and curricula to help address the national need for adequate child care services?

Answer. This occupational offering was provided by Job Corps in the past. Our experience and review of labor market information indicate, however, that a child care training program may not be appropriate for Job Corps. Starting salaries are low with the median annual earnings of full time child care workers in 1984 only $9,200. Further, entry level positions for child care workers require little or no experience and, for the most part, pay only minimum wage. In addition, 40 percent of the jobs are part time and the annual turnover rate is 36 percent. Career advancement is also limited and is mainly available through attainment of supervisory or administrative positions at larger day care facilities.

OFFICE OF INSPECTOR GENERAL

STATEMENT OF J. BRIAN HYLAND, INSPECTOR GENERAL

PREPARED STATEMENT

Senator CHILES. At this point I would like to ask the Inspector General, Brian Hyland, to come to the table.

Mr. Hyland, you have many responsibilities in the areas of particular concern to this subcommittee, recommending policies to prevent and detect fraud, waste, and abuse in the Department of Labor programs, conducting audits and investigations and reviewing legislation and regulations with the aim of making recommendations to the Department and the Congress.

We will put your entire statement in the record.

[The statement follows:]

STATEMENT OF J. BRIAN HYLAND

Mr. Chairman, members of the subcommittee, I appreciate this opportunity to appear before you to present the Fiscal Year 1989 budget request for the Office of Inspector General in the Department of Labor.

As you know, this Office was created by the Inspector General Act of 1978. The responsibilities we are charged to carry out include: recommending policies to prevent and detect fraud, waste, and abuse in DOL activities and programs, and to increase economy and efficiency; conducting, supervising and coordinating audits and investigations relating to DOL programs and activities; informing the Secretary of Labor and the Congress about problems and corrective actions taken in the administration of DOL activities and programs; and reviewing legislation and regulations to assess fraud, waste, and abuse potential and make recommendations to the DOL and the Congress. Additionally, the DOL-OIG is assigned the responsibility and authority to investigate organized crime's influence and impact upon labor organizations and their employee benefit and welfare plans, and labor-related activities.

The OIG carries out its mission through four activities: the Office of Audit, the Office of Investigations, the Office of Labor Racketeering, and an Executive Direction and Management activity.

The 1989 Budget request of the Office of Inspector General represents a net increase of $2,695,000 and 12 FTEs above the 1988 amount. This budget provides for roughly the same level of effort as in Fiscal Year 1988, except for the program increase requested for the Office of Labor Racketeering and an additional 3 FTEs to support our participation in the President's Committee on Integrity and Efficiency (PCIE).

The Fiscal Year 1989 budget request for the Office of Audit (OA) activity totals $25,051,000 and 253 FTEs. This amount includes $8.1 million in audit contracting funds, which will enable the Office of Audit to provide the equivalent of 319 staff years of audit effort to review critical departmental programs and activities.

In Fiscal Year 1989, OA will continue to stress the integration of audit techniques into DOL financial systems to assist departmental managers to improve program planning and decision making. OA will also continue to work with departmental management on audit-identified problems to improve program operations and service delivery. Substantial FY 1989 workload focus will be in the areas of: Information Resources Management (IRM); Department-Wide Financial Management; Job Corps; and Program Fraud Civil Remedies.

Audit coverage of other departmental programs and activities will reflect marginal changes. At the request level, OA anticipates performing 282 audits, reviews, and studies, and issuing 248 audit reports under the Single Audit Act.

The Fiscal Year 1989 budget request for the Office of Investigations (OI) activity totals $7,623,000 and 111 FTEs.

During Fiscal Year 1989, the OI will follow a planned course that will focus resources on priority areas to address the most significant problems in DOL program activities. Special emphasis will be given to intensifying the role of the respective state agencies in Unemployment Insurance investigations.

Planned investigative priorities will be directed to areas of greatest vulnerability such as JTPA, Davis-Bacon, MSHA, PWBA, OSHA, and abuse of trust matters internal to DOL programs, functions, and activities. In addition, OI will continue to support and commit resources to U.S. Attorneys who have undertaken a "proactive" approach to suspected criminal activities that involve DOL programs.

The Fiscal Year 1989 budget request for the Office of Labor Racketeering (OLR) activity totals $8,395,000 and 123 FTEs.

The OLR implements and coordinates a program to conduct investigations which are prosecuted by the U.S. Attorneys Offices, the U.S. Department of Justice Strike Force Offices, and selected state prosecutors. The OLR also coordinates its program with the Office of Labor-Management Standards and the Pension and Welfare Benefits Administration.

OLR's enforcement program is founded on the premise that organized criminal groups have penetrated certain labor organizations and used unions as vehicles to pillage affiliated employee benefit plans and create criminal monopolies in labor intensive industries. Among these are: construction, waterfront, garment, trucking, waste disposal, tourism, fishing, and agriculture.

A unique feature of this enforcement effort is its commitment to long-term investigative projects designed to reach beyond the most visible violations and perpetrators in order to remove the insulated persons who represent the infrastructure of corruption. Such a concentrated focus also is intended to promote a continuous law enforcement presence in historically corrupt areas in an effort to create a credible deterrent force.

The additional 19 positions/14 FTEs will enable OLR to focus more extensively on its highest program priority -- investigating violations of the Employee Retirement Income Security Act (ERISA) and related Title 18 provisions, as well as implementing significant initiatives in industries OLR has identified as being vulnerable to labor racketeering. The additional positions will also allow OLR to increase its investigative resources in areas with the most egregious labor racketeering problems and to expand its enforcement presence in California and the New England area.

The budget request for the Executive Direction and Management (EDM) activity totals $4,644,000 and 55 FTEs.

The Executive Direction and Management activity provides for management direction as well as policy development, planning and review, resources management, legislative assessment, personnel operations, financial management, as well as information and administrative support functions necessary to carry out the nationwide responsibilities of the OIG on a timely and cost-effective basis.

The three additional FTEs will allow for our increased participation in crosscutting projects for the President's Council on Integrity and Efficiency (PCIE). Emphasis will be given to continued coordination/support of the PCIE activities, particularly in our pursuit of the dissemination and adoption of technology that fosters economy and efficiency within government issuance and delivery systems. In addition, we expect to devote considerable resources on several departmental initiatives such as productivity measurement and improvement, the Secretary's Management System and OMB Circular A-123 Internal Control System.

Mr. Chairman, that concludes my statement. I would be pleased to answer your questions.

SUMMARY STATEMENT

Senator CHILES. As brief as you could make that for me, I would like to ask you a couple of questions. They are in a quorum call now waiting on my appearance on the floor to get on the budget, and they have been in that call for 15 minutes, so the leader is getting nervous.

Mr. HYLAND. Yes, sir.

Basically our budget request for 1989 is at the same level as 1988, with two exceptions. We are requesting a permanent increase of 19 positions for the Office of Labor Racketeering, and 3 positions for our role in supporting the President's Council on Integrity and Efficiency. That is going to amount to about a $2.6 million increase over our 1988 spending level.

OFFICE OF LABOR RACKETEERING

Senator CHILES. This subcommittee and this Congress is very, very concerned and has been about the subject of labor racketeering and want to see your Department and agency have sufficient resources to do that.

I notice these new investigators that you are talking about, 18 will be at grade levels of 5 to 7, and none higher than a grade 12.

Given the fact that we are talking about trying to make sure that you can get into these complex, protracted financial investigations involving pension funds, how can you do it with that kind of resources, and is that what you really need?

Mr. HYLAND. It is not what we really need, Senator, because of the very reasons that you express. Our average grade with the Office of Labor Racketeering is just over the grade 12 level. The funding mechanism is what has driven our allocation of what those grade levels would be.

Senator CHILES. Well, let's say—and I understand your situation, that you come up within the provisions of what is available, but let me ask you what, to do the job adequately, what kind of grade levels and what kind of support and help would you need?

Mr. HYLAND. As I said, Senator, the basic average would be a grade 12. If we priced that out for those 14 positions, that would leave me a shortfall of $311,000. If they were to fund the 19 positions, it would leave a shortfall of $550,000, and admittedly that is small money in terms of the Federal budget, but with an office the size of ours, it is rather critical.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator CHILES. I have some other questions, but because of my need to get to the floor, I am going to submit those to you in writing and appreciate your response to those.

Mr. HYLAND. I appreciate it, and I also appreciate your support, Senator.

Senator CHILES. Thank you, sir.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

EXECUTIVE DIRECTION AND MANAGEMENT

Question. Why do you need to pay administrative staff so much higher salaries, ranging from $39,500 to $54,900?

Answer. I am the chairman of the computer committee for the President's Council on Integrity and Efficiency (PCIE) and in that particular capacity we have been involved in an effort in which we are trying to transfer computer technology to the delivery of services by the entire Federal Government. We are looking specifically at smart-card technology and mag-stripe technology (referred to as alternative delivery/payment systems) which is in use every day by the average citizen, but which the Federal Government, for various reasons, has been slow to adopt.

We have established a national clearinghouse for the collection of information on alternative payment systems, which my office is running. The requested GS-15 position will be the director of that national clearinghouse. He/she will be in contact with the State directors for social and human services and will work with them to identify and remove any impediments or problems with a particular Federal agency. He/she will then deal with that particular agency to try to remove those impediments.

This individual must be a very experienced professional and will be supported by other individuals who are aware of the computer technology, as well as the various programs that are being serviced. This activity cuts across government lines such as Department of Agriculture, food stamps, Health and Human Services, Medicare, Veterans Administration, Pensions, etc. These must be very experienced, knowledgeable people.

Question. It appears your budget request is understated for the Office of Labor Racketeering. How much more would you need over the budget request if all the new investigative staff were hired at the GS-12 level, except for one GM-15 supervisory position?

Answer. The new positions in the budget are appropriately priced. However, if all new investigators were hired at the GS-12 level, except for the one supervisory position, an additional $249,000 in personnel compensation alone would be needed to fund the additional 14 FTEs.

Question. How much more over the request is needed for personnel benefits, including such expenses as travel, equipment, and space rental?

Answer. The benefits in the budget are appropriately priced. However, if all new investigators were hired at the GS-12 level, except for the one supervisory position, an additional $62,000 in personnel benefits would be needed to fund the additional 14 FTEs.

OFFICE OF LABOR RACKETEERING SECURITY

Question. What additional amounts are needed to strengthen security, such as communications?

Answer. We are currently reviewing our needs to strengthen security in areas such as security telephones, criss-cross shredders and other equipment. If additional appropriations are required, we will request funds for this purpose in the next budget cycle.

OFFICE OF LABOR RACKETEERING HIRING

Question. You are requesting 22 additional positions, most of which would expand investigations by the Office of Labor Racketeering. Is your request sufficient to fully finance these new positions in fiscal 1989, without forcing you to take offsetting cuts elsewhere in your budget?

Answer. The request for OLR of approximately $8.4 million will finance the equivalent of 14 FTEs.

Question. How quickly do you expect to hire the additional staff?

Answer. If the budget is approved as submitted, normal hiring patterns would allow us to achieve the requested 14 FTEs.

Question. What do you look for when recruiting and hiring investigators, and where do you find qualified people?

Answer. OLR seeks candidates who possess the academic background and work experience to conduct economic/financial crimes investigations. Additionally, these candidates must be physically able to discharge law enforcement authority as deputy U.S. Marshals and must display the strong conceptual and organizational skills necessary to conduct investigations which average nearly two years in length.

Most candidates are found in other senior federal investigative agencies such as the IRS and the FBI. The opportunity to specialize in a narrow dimension of organized criminal activity with OLR is the major incentive to these recruits.

PRESIDENT'S COUNCIL ON INTEGRITY AND EFFICIENCY

Question. You are requesting 3 additional staff and $274,000 for "participation in crosscutting projects for the President's Council on Integrity and Efficiency." Specifically, what activities do you expect Inspector General's staff to be involved in, and are these activities likely to continue in fiscal 1989 regardless of the change in administrations?

Answer. As I previously stated, I am the chairman of the computer committee for the President's Council on Integrity and Efficiency (PCIE). We believe that if we can encourage the state and local communities through our efforts, to utilize the aforementioned smart-card technology, that there could be major reductions in administrative costs. Right now there are 59 major benefit programs being paid by the Federal Government, most of which collect the information from the same individual over and over again.

They continue to maintain that information. We feel, with the technology available, one can collect that information one time and determine the eligibility of a recipient for all major Federal programs. There can be enormous cost savings. There have been some pilots conducted in some areas, such as Ramsey County, Minnesota. We are trying to spread the gospel so to speak that if Ramsey County can do it, you can do it too. So we have a major effort under way with alternative delivery/payment systems, so that the government can get the services out there to the people and the people will find it more convenient to use this kind of technology.

I believe that the work of the PCIE in this particular area will continue into FY 1989 and beyond regardless of changes in administration. The need for the Federal and state governments to more fully utilize the technology at hand is inevitable.

Question. Why does it cost an average of $91,333 for these three new Executive Direction positions?

Answer. I have already described the types of responsibilities/duties envisioned for this support staff. The requested increase of $274,000 is broken down as follows:

Personnel Compensation	$ 142,000
Personnel Benefits	32,000
Travel	12,000
GSA Space	13,000
Other Rental	3,000
Printing	1,000
Other Services	35,000
Supplies	1,000
Equipment	35,000 *
Total	$ 274,000

* $32,000 of this is for the ADP requirements of these positions.

JOB CORPS PROGRAM

Question. Your budget justification indicates you plan to undertake a significant audit of the Job Corps program, to provide "information necessary to make decisions which will improve planning, operations and service delivery." Will this audit information determine whether any Job Corps centers are failing to meet acceptable standards, or conversely, provide Congress with an independent assessment of whether planned center closings are justified?

Answer. The Office of Inspector General has three major audit projects under way or planned relating to the Job Corps program. These projects are the: (1) development and audit of financial statements, (2) development and audit of program statistics statements, and (3) development of a Job Corps Annual Report. We believe that when these three projects are completed, they will provide information that can be used to improve the planning, operations and service delivery of the Job Corps program.

Financial Statement Development and Audit Project: This project, which expands on the foundation created by our ETA financial statement audit project, involves the development and audit of financial statements for the Job Corps program for FY 1987. This project complements initiatives by the Congress, General Accounting Office, Office of Management and Budget, and Treasury to improve financial management and financial reporting within the Federal Government. Development of financial statements for Job Corps brings financial reporting down to the program level and will help in determining true program costs. Development of accurate program cost information is essential in being able to ultimately evaluate program performance.

Program Statistics Statement Development and Audit: This project involves the development and audit of program statistics statements for Program Year 1986 (July 1, 1986 to June 30, 1987). Using data reported by Job Corps contractors, program statistics statements, which present the accomplishments of the Job Corps program, are being developed. The statements will then be audited to determine the validity of the reported programmatic information.

Job Corps Annual Report: The objective of this project is to prepare an FY 1987 annual report for the Job Corps program similar to those published in the private sector. Financial information developed in the Job Corps financial statement audit project and programmatic information developed from the program statistics audit project will be used in the Annual Report.

The Job Corps Annual Report will concisely present program accomplishments and link these accomplishments to financial inputs. By matching the financial input to the programmatic output, a basis for determining return on investment will be provided.

Our audit projects are intended to determine the accuracy and validity of the data used by Job Corps to measure program accomplishments. In our Job Corps Annual Report project, we intend to match the financial audit information with the programmatic output data. Such information could be used to measure program effectiveness and would provide the basis for any future cost effectiveness analysis.

QUESTIONS SUBMITTED BY SENATOR MARK O. HATFIELD

Question. The budget justification for the Office of Inspector General indicates that a "significant" audit effort of the Job Corps Program is underway in FY '88 and will continue in FY '89. When do you anticipate completing this audit?

Answer. The Office of Inspector General has three major audit projects under way or planned relating to the Job Corps program. These projects are the: (1) development and audit of financial statements, (2) development and audit of program statistics statements, and (3) development of a Job Corps Annual Report.

Financial Statement Development and Audit Project: This project, which expands on the foundation created by our ETA financial statement audit project, involves the development and audit of financial statements for the Job Corps program for FY 1987. This project complements initiatives by the Congress, General Accounting Office, Office of Management and Budget and Treasury to improve financial management and financial reporting within the Federal Government. Development of financial statements for Job Corps brings financial reporting down to the program level and will help in determining true program costs. Development of accurate program cost information is essential in being able to ultimately evaluate program performance.

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Projected completion dates for the three projects are:

Project	Estimated Completion
Financial Statement Audit	September 30, 1988
Program Statistics Audit	September 30, 1988
Job Corps Annual Report	December 31, 1988

Question. What data is being collected during the audit?

Answer. Job Corps Financial Statement Development and Audit: This project involves a financial and compliance audit of the Job Corps program, performed in accordance with generally accepted governmental audit standards. Data sufficient to issue a financial statement opinion, a Report on Internal Controls and a Report on Compliance with Laws and Regulations is being obtained. Financial data being obtained includes information relating to assets, liabilities and expenditures of the Job Corps program. From a compliance standpoint we are obtaining information regarding the eligibility of corpsmembers to participate in the Job Corps program.

Job Corps Program Statistics Development and Audit: Information collected during this project includes data used by ETA to measure Job Corps program accomplishments. Information to be reviewed during the audit will include: internal controls surrounding the program statistics data base, Job Corps contractors compliance with applicable laws and regulations, and an analysis of the Job Corps program statistics data base.

Job Corps Annual Report: As previously discussed, this project will take the data obtained in the other two audit projects and combine them into an Annual Report.

Question. What Job Corps issues do you expect will be the focal point of this audit?

Answer. Job Corps Financial Statement Development and Audit: As previously discussed, the major objective of this project is a financial and compliance audit of the Job Corps program. The issues expected to be a focal point of the audit include the: accuracy of reported financial information - including assets, liabilities and expenditures of the Job Corps program; financial internal controls surrounding the Job Corps program; and programs' compliance with applicable laws and regulations.

Job Corps Program Statistics Development and Audit: The primary objective of this project is to develop and audit program statistics statements for the Job Corps program. Specific issues to be examined include: (1) whether program accomplishment statistics reported by contractors are supported by adequate documentation; (2) review of programmatic statistics for unusual trends or conditions that may materially effect the validity of Job Corps' program statistics; and (3) recommendations, if needed, to improve the content, format, management and control of Job Corps program statistics.

SUBCOMMITTEE RECESS

Senator CHILES. We will recess now until 2:30. At that time we are going to hear from a number of related agencies, ACTION, National Mediation Board, Social Security Administration, Corporation for Public Broadcasting, Railroad Retirement Board, Federal Mediation and Conciliation Service, National Labor Relations Board, and Occupational Safety and Health Review Commission.

Thank you.

[Whereupon, at 10:20 a.m., Wednesday, April 13, the subcommittee was recessed, to reconvene at 2:30 p.m., the same day.]

(AFTERNOON SESSION, 2:30 P.M., WEDNESDAY, APRIL 13, 1988)

The subcommittee met at 2:30 p.m., in room SD-124, Senate Dirksen Office Building, Hon. Lowell P. Weicker, Jr. presiding.

Present: Senators Harkin, Bumpers, Weicker, and Stevens.

ACTION

STATEMENT OF DONNA M. ALVARADO, DIRECTOR

ACCOMPANIED BY:

JANE A. KENNY, ACTING ASSOCIATE DIRECTOR FOR DOMESTIC AND ANTIPOVERTY OPERATIONS

LOWELL B. GENEBACH, JR., PLANNING, BUDGET, AND GRANTS OFFICER

OPENING REMARKS OF SENATOR WEICKER

Senator WEICKER. Senator Chiles is occupied with the budget resolution on the floor of the Senate, and for that reason I will Chair these hearings for the first half hour.

I wish I could say that my presence in this Chair is due to a change in the majority of the U.S. Senate; however, such is not the case, and I will do my best until Senator Chiles gets here.

The subcommittee will come to order. This afternoon we will hear from six of the related agencies under the subcommittee's jurisdiction.

We will begin with Ms. Donna Alvarado, Director of ACTION. Is she here at this time?

VOICE. Senator, I am informed she is on her way, but she should be here momentarily.

Senator WEICKER. Her timeliness belies the name of the agency. [Laughter.]

Ms. ALVARADO. Senator, I am here. I apologize, Mr. Chairman.

Senator WEICKER. Donna, it is good to have you here, and we look forward to hearing your report on the various programs under your jurisdiction.

I know that in my own home State of Connecticut, the Older American Volunteer Program has been vital to the various communities that they serve, and I welcome this opportunity to review the administration's fiscal year 1989 budget requests for these programs and all the programs under ACTION.

OPENING STATEMENT

Ms. ALVARADO. Thank you, Mr. Chairman. I am pleased to present to you the fiscal year 1989 appropriations request for ACTION, the Federal domestic volunteer agency. I welcome your comments and your questions as we work together in achieving our common goal of enabling as many Americans as possible to participate in and to benefit from ACTION's volunteer programs.

Before I begin, I would like to introduce my colleagues: Jane Kenny, the Acting Associate Director for Domestic Operations and the Director of VISTA; and Lowell Genebach, the agency's Planning Budget and Grants Officer.

Mr. Chairman, due to the number of unfilled positions at headquarters, there are a number of senior officials at ACTION who are holding two jobs. In addition to Jane, I would like to mention Roland Goodman, the Associate Director for the Office of Management and Budget, who has assumed many responsibilities in the support area and who could not testify today because of a death in the family; Terry Campo, who holds the dual positions of General Counsel and Director of Legislative Affairs; and Humberto Moreno, the Director of Special Emphasis Programs, also serving as the Acting Executive Officer for Domestic Operations; Marianne Klink, the Acting Director of the Older American Volunteer Programs, who is the Deputy Director of OAVP as well; and Wendell Moore, my Executive Assistant, who is also serving as the Acting Director of Equal Opportunity.

These individuals give unstintingly, personally and professionally, and I wish to express my gratitude for their fine leadership and their dedication to public service.

ADMINISTRATION REQUEST

The administration's request for fiscal year 1989 is $165,991,000, a net increase of $3,088,000 over 1988.

The President's fiscal year 1989 request reflects increases in funding for VISTA, the Student Community Service Program, the Citizen Participation and Volunteer Demonstration Programs, the older American volunteer programs, the ACTION drug alliance, as well as program administration.

This request also represents a decrease in funding for the Literacy Corps as a separate entity within VISTA.

Within the VISTA Program we are requesting an additional $2.82 million which will provide for additional volunteer service years [VSY's], bringing the total to 2,600 VSY's, consistent with our authorization legislation.

With regard to the Literacy Corps, Mr. Chairman, ACTION has been and continues to be committed to literacy initiatives across the board in all of our programs. We nevertheless believe that the creation of a separate Literacy Corps within the VISTA Program and the establishment of a specific set-aside at the national level for a number of volunteers directed into a particular focus area reduces the flexibility of local communities to address their priorities in regard to the needs of the poor in the local community.

The emphasis in the ACTION Volunteer Demonstration Program will continue to be the development of comprehensive community-based drug abuse prevention efforts, especially community-based self-help organizations assisting high-risk youth.

In addition, the ACTION drug alliance provides additional resources to develop initiatives to expand illicit drug use prevention and education activities of the community-based volunteer groups. All of our older American programs share this critical national concern as an emphasis area.

In the Foster Grandparent Program, an increase of $1.2 million will be used to fund an additional 400 volunteer service years or 800 new volunteers. These volunteers will provide one-to-one support to young people at high risk of substance abuse, consistent with the administration's initiatives in these areas.

In fiscal year 1988, appropriations provide for an across-the-board cost-of-living increase in existing OAVP projects as well as for increased opportunities for volunteer service.

To ensure equitable distribution for these purposes among all OAVP projects, each program is being allocated a base increase of 3.4 percent in the average cost per volunteer in RSVP, and per volunteer service year minus the stipend in the Foster Grandparent and Senior Companion Programs.

The additional resources after the base allocation will allow for expanded opportunities for volunteer service with an emphasis on substance abuse prevention.

Mr. Chairman, ACTION has not received additional appropriations in the agency's program administration budget since 1981, despite a 50-percent increase in uncontrollable costs over the last 7 years.

Fiscal year 1988 program administration appropriations were actually reduced. Effective management planning under such constraints has been extremely difficult. Consequently, the agency has undertaken several initiatives in the interest of prudent management.

You are aware of our realignment which has helped reduced headquarters layering while attempting to maintain and enhance the field structure. Notwithstanding these management initiatives, we continue to have great difficulty in carrying out the provisions of the Domestic Volunteer Service Act within the constraints of our program administration budget.

During the last 6 years, Congress has increased our program expenditures by 30 percent, while our program administration budget has remained relatively fixed or reduced. The large program increase in fiscal year 1988 with the reduction in the program administration budget made a bad situation worse. We have had to operate at an FTE level throughout much of 1988, far below that which is needed, because of our limited program administration allocation.

I would stress that the amount requested in the fiscal year 1989 budget of $26.312 million is the minimum amount required to carry out the Domestic Volunteer Service Act at an acceptable level.

PREPARED STATEMENT

This concludes my summary, and I would ask that my statement be entered into the record, Mr. Chairman.

[The statement follows:]

STATEMENT OF DONNA M. ALVARADO

Mr. Chairman, members of the Subcommittee, I am pleased to present to you the President's fiscal year 1989 appropriations request for ACTION, the Federal Domestic Volunteer Agency. In so doing we reaffirm our commitment to promoting and strengthening an effective volunteer force across America, with particular emphasis on the needs of the poor and the elderly and community based drug abuse prevention. The Administration's request for FY 1989 is $165,991,000, a net increase of $3,088,000 over the $162,903,000 available for obligation in 1988.

The President's FY 1989 request reflects increases in funding for VISTA, the Student Community Service program, the Citizen Participation and Volunteer Demonstration programs, the Older American Volunteer programs, the ACTION Drug Alliance, and Program Administration. This request also represents a decrease in funding for the Literacy Corps as a separate entity within VISTA.

Mr. Chairman, next week is National Volunteer Week. It is a time for all Americans to recognize the invaluable contributions made by the tens of millions of our citizens each and every day of the year. ACTION's volunteers — some half a million strong — are only a small part of the millions of Americans who choose to give of their time to benefit their communities and their country.

VOLUNTEERS IN SERVICE TO AMERICA

The Volunteers In Service to America (VISTA), have worked to alleviate poverty throughout America since 1965 by helping low-income individuals achieve self-sufficiency. The Administration is requesting $21,910,000 for FY 1989 which represents an increase of $2,082,000 over FY 1988. This will provide for a total of 2600 volunteer service years, 100 above the FY 1988 level. In 1988, we expect 2600 VISTA volunteers to serve in almost 600 local projects battling problems of illiteracy, unemployment, substance abuse, hunger and homelessness.

LITERACY CORPS

I wish to note that the authorization level for the Literacy Corps for FY 1989 is $5 million. This level of funding would nearly double the size of the program and result in one in every three VISTA volunteers being dedicated to literacy only. This concentration on an important, but single purpose, runs counter to the traditional flexibility for local community prioritization of the needs of their poor citizens, such as drug abuse prevention, homelessness, and unemployment that has made VISTA a uniquely successful program. Furthermore, the number of staff, travel and training necessary to effectively administer quality projects would not be present even if the additional $1 million requested for program support is provided. Exclusive of the Literacy Corps, ACTION resources have been and continue to be committed to literacy initiatives across the board in all of our programs. To illustrate this commitment, 450 RSVP projects out of 750 now focus on literacy; 250 literacy providers from across the nation were trained at the ACTION funded National Conference in Urban Literacy; and eight campus based one-day regional literacy workshops were conducted by Campus Compact with the sponsorship of ACTION.

Despite our unequivocal support of literacy efforts, we nevertheless believe that the creation of a separate Literacy Corps within the VISTA program and the establishment of a specific set-aside at the national level for the number of volunteers directed into a particular focus area reduces flexibility of local communities to address their priorities in regard to the needs of the poor. Therefore, we are not requesting funding for the Literacy Corps.

STUDENT COMMUNITY SERVICE PROGRAM

The Administration is requesting $1,368,000 in FY 89 for the Student Community Service Program which will provide for 131 community service grants, and an evaluation of this program's effects on the volunteer and the low-income community.

In FY 88, ACTION will fund 118 grants allowing nearly 23,800 non-stipended student volunteers to serve in community service programs which are concerned with the problems of the poor including hunger, homelessness, illiteracy and unemployment.

CITIZEN PARTICIPATION AND VOLUNTEER DEMONSTRATION PROGRAMS

ACTION's Citizen Participation and Volunteer Demonstration Programs continue to mobilize citizens for voluntary action and to promote innovative volunteer demonstration efforts.

The Administration request to carry out these initiatives is $3,401,000. The major emphasis areas of the Citizen Participation programs in FY 89 will include the development of public and private partnerships and increase the technical assistance provided to ACTION's grantees. The emphasis in the ACTION Volunteer Demonstration Programs will continue to be the development of comprehensive community-based drug abuse prevention efforts, especially community based self-help organizations aiding low-income persons. Funded projects in drug abuse prevention will focus on organizing local low-income community parent groups and statewide parent networks, prevention activities in public housing units, prevention activities among youth, the misuse of prescription and over-the-counter drugs by the elderly, and the provision of technical assistance to such groups.

In FY 89, ACTION is requesting $1,600,000 for the Drug Alliance. These resources are in addition to those available under ACTION's volunteer demonstration programs for drug prevention activities. Specifically, the requested amount, will fund grant awards to organizations with innovative approaches for using volunteers in drug abuse prevention and education, with an emphasis on activities focusing on high-risk youth. The alliance will continue to promote community coalition building and long-term self-sufficiency through its private sector support.

OLDER AMERICAN VOLUNTEER PROGRAMS (OAVP)

We are requesting $113,000,000 for OAVP in FY 89, an increase of $1,873,000. In the Foster Grandparent Program, an increase of $1,200,000 will be used to fund an additional 400 volunteer service years or 800 new volunteers. These volunteers will provide one-to-one support to young people at high-risk of substance abuse consistent with the Administration's initiatives in these areas. In RSVP, an increase of $600,000 will be used to expand volunteer opportunities and $27,000 for evaluation and audits.

In FY 1988, appropriations provided for across-the-board cost-of-living increases in existing OAVP projects and for increased opportunities for volunteer service. To ensure equitable distribution for these purposes among all OAVP projects, each program is being allocated a base increase of 3.4% in the average cost per volunteer in RSVP, and per volunteer service year (minus stipend) in the Foster Grandparent and Senior Companion Programs. The additional resources after the base allocation will allow for expanded opportunities for volunteer service.

OAVP activities have also been greatly expanded by the contributions of state and local governments as well as the private sector. In calendar year 1986, state governments provided an estimated $24,700,000 for these programs. City and county governments provided $13,100,000 and private-sector sources $19,400,000 for these activities, which made the total non-ACTION funding for OAVP over $57,200,000 in 1986. More than 1 of every 3 dollars spent on OAVP projects were non-ACTION funds. Between 1983 and January 1987, total non-ACTION funding has increased from over $36,300,000 to $57,200,000, an increase of 56.4% in four years, an achievement which allows us to leverage federal dollars to maximum benefit. In the case of RSVP, for example, non-ACTION funding has increased by 41.6% in the four year period, with the largest percent increase coming from the private sector, which has grown from $6,450,000 in 1983 to $10,800,000 by January, 1987, an increase of 67.7%. The actual RSVP matching fund level is 54.2% Federal and 45.8% non-Federal.

RETIRED SENIOR VOLUNTEER PROGRAM (RSVP)

Of the total requested for OAVP, $31,237,000 is for the RSVP program. This amount includes an increase of $600,000 for the expansion of volunteer opportunities, and $27,000 for evaluations and audits. In 1988, 745 grants are being funded, and these are expected to provide over 400,000 volunteers to address a variety of needs such as illiteracy, child abuse prevention and drug abuse prevention. Intergenerational activities, especially in drug abuse prevention, and in-home care will be expanded.

FOSTER GRANDPARENT PROGRAM (FGP)

The Foster Grandparent Program is one of our most successful programs. In addition to providing wide-ranging services for young Americans with special needs, Foster Grandparents have contributed significantly to the Administration's campaign against drug abuse. We are requesting $58,644,000 for FGP, an increase of $1,231,000 over the $57,413,000 available in FY 88 to expand this new initiative.
The FY 89 request will enable the agency to fund 250 FGP projects providing about 18,000 volunteer service years or 400 more than in FY 88. Foster Grandparents served approximately 68,000 children in the areas of literacy, drug abuse, juvenile delinquency, teen-age pregnancy, child abuse, and neglected and runaway youth.

ACTION is always looking for ways to increase volunteer opportunities through the efficient use of available resources. By awarding $1,200,000 in challenge grants in 1987, some 400 additional FGP volunteers will be able to participate in our program at the end of the three-year funding period with the private sector funds our projects anticipate generating.

SENIOR COMPANION PROGRAM (SCP)

Of the FY '88 increased appropriation of $5,035,000 for SCP, approximately $4,590,000 is available for new projects and an estimated $440,500 is for cost of living increases applied to the 96 currently funded SCPs. This month, the Notice of Availability of Federal funds is being published in the Federal Register for these new funds. The FY 88 expansion money combined with current services will increase the number of VSYs from 5,450 in FY'87, to 7,000 in FY '88 and FY '89 in the Senior Companion Program.

PROGRAM ADMINISTRATION

ACTION is requesting $26,312,000 in FY 89 to carry-out the overall management of the agency, an increase of $1,201,000 over FY 1988. Efficient and effective policy development and executive direction is essential in support of ACTION's mission of utilizing to the fullest advantage, the energy, innovative spirit, experience, and skills of all Americans to serve local communities and the nation by addressing current and emerging needs through the application of volunteer services.

You are aware of our realignment which has reduced headquarters layering while maintaining and enhancing the field structure. Additionally, we have implemented serveral other management improvements. For example, in response to the President's Reform 88 Initiatives, the Agency has significantly lowered the overhead cost of — delivering grant monies through the realignment and automation improvements such as acquiring the National Finance Center's Agency payroll and personnel services; the "Federal Success" financial management system, and a Grants Management System. These initiatives enable us to benefit from technological advances in computer hardware and software, thereby availing us government-wide opportunities to reduce costs and increase efficiency through access to on-line data.

Also, for this first time in the Agency's history, we have begun to provide automation in our state offices in order to enhance their wordprocessing and data processing capabilities.

Our Training and Development System (TADS) Program, provided training to our 1500 project directors, VISTA supervisors and ACTION staff that improved the delivery of services by volunteer organizations. This system also improved the administrative process within the Agency. Training such as the Financial Administration of Grants, Agency Processing of Grants, and Small Purchase Procedures have enhanced our administrative capability.

Mr. Chairman, this concludes my formal statement, the budget request reflects our continuing commitment to using our resources to foster self-help and self-reliance, to help private citizens and local communities meet basic human needs associated with the poor and the elderly while keeping the cost of delivering these services as low as possible. My staff and I will be pleased to answer any questions which you or members of the Subcommittee may have.

OFFICE OF MANAGEMENT AND BUDGET BUDGET REQUEST

Senator WEICKER. Donna, thank you very much for your testimony. Let me again, as I have in the past, commend you for the enthusiasm and the integrity which you bring to your position as Director. You have my admiration. I think you have never failed to be frank with this committee insofar as both your needs and your opportunities are concerned.

How does the budget request that we have before us today match up with the budget request that you made of OMB?

Ms. ALVARADO. I would have to recollect. I believe it is basically the same, Mr. Chairman. I do not believe there have been significant changes.

Senator WEICKER. Mr. Genebach, would you like to respond to that question?

Mr. GENEBACH. Yes, Mr. Chairman; we were more than equitably treated by OMB this year.

Senator WEICKER. That means nothing. That means you could end up with nothing right across the board.

I do not care whether you were equally treated. You made a request of OMB. What was the amount of the request?

Mr. GENEBACH. A little over $160 million, sir.

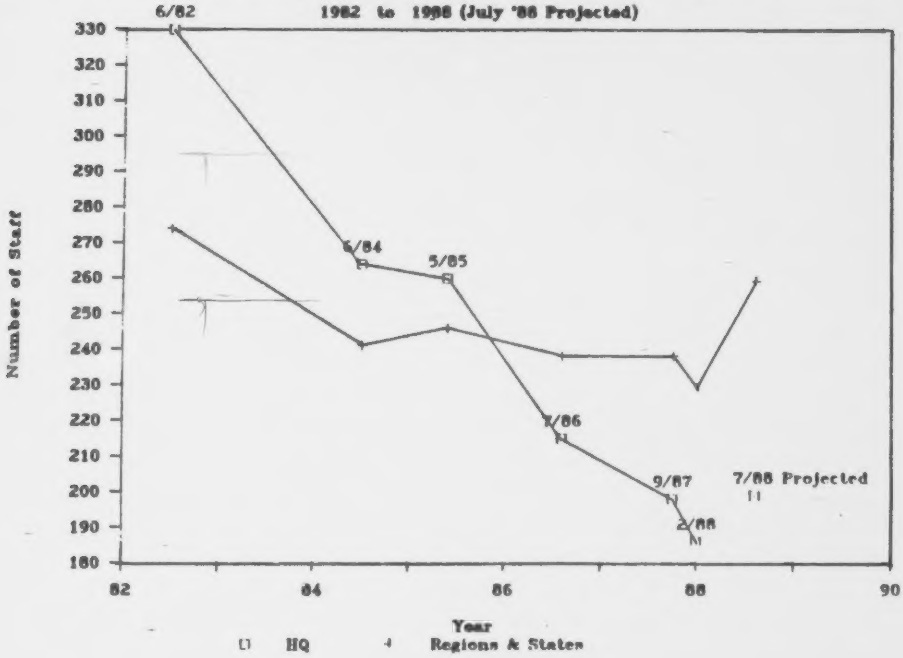
Senator WEICKER. So that you received $6 million more?

Mr. GENEBACH. Yes, sir.

Senator WEICKER. That is unusual, I might add.

I noticed in the introduction of your staff, Donna, that you mentioned that quite a few of the individuals were serving in dual functions. How is that?

Number of Staff – 1982 to 1988



Ms. Alvarado. Mr. Chairman, I would like to give you a chart which will show that I have taken very seriously congressional intent to equalize the proportion of staffing between the headquarters and the field level by reducing the number of people at the headquarters.

PROGRAM ADMINISTRATION

As a result of that, we have been able to show substantial reductions. For example, when I came on board in April 1985, there were 260 persons in the headquarters, and that has now gone down to 191 in October 1987. This represents a 26½-percent reduction in headquarters staff.

At the same time, under the realignment we were able to solidify the field structure, maintaining the regional offices at the existing levels, and basically the same levels in most of the State offices with some reallocation based on poverty statistics and the percentages of the elderly in the State.

This has enabled us to distribute very badly needed resources on a case-by-case basis. Obviously, the headquarters has been the one to bear the brunt of the funding decrease.

I would stress, Mr. Chairman, that ACTION's mandate is one which is very labor intensive. We are trying to reach community groups and individuals who want to volunteer. These are community groups that do not read the Federal Register. These are not people who are experts in Federal proposal writing. They are grassroots individuals who have no other recourse to funding and technical assistance from the major block grants, for example.

It is incumbent on our staff at the field level, as well as in headquarters, to provide that direct person-to-person assistance to these community groups and individuals so they can meet the Federal standards required to comply with our authorizing legislation.

What happens when we do not have sufficient staff is that fewer innovative projects are developed. In the VISTA Program, we end up providing more VISTA grants as opposed to standard volunteer service years. This is contrary to our policy. We are unable to really reach out to the extent that we would like, to develop the best and the most creative volunteer spirit in the country.

What we end up having to do with additional program moneys is simply publish in the Federal Register and hope that the best people will come forward. We would like to actually be more proactive in getting innovative projects developed.

We have tried to address this problem, I firmly and sincerely believe that. Over time, ACTION has determined that $1 of program administration funds can effectively support $4 of program funding. Unfortunately, that equation has been skewed recently, today $1 of support funding now must support over 25 percent more or $5.30 in program funds.

The bottom line is that our request of $26.312 million is the minimum level that I believe is possible for us to carry out our authorizing legislation.

OLDER AMERICAN VOLUNTEER PROGRAMS

Senator WEICKER. The House and Senate reports on the Labor-HHS appropriations bill for fiscal year 1988 directed ACTION to provide nationwide across-the-board cost-of-living increases to the older Americans volunteer programs.

How did the 4.2-percent cut which was required to comply with the budget summit agreement affect the implementation of the COLA's? What is the status of the COLA for the Senior Companion Program?

Ms. ALVARADO. We were still able to provide an across-the-board cost-of-living increase as well as provide funding for the expansion of volunteer opportunities and improve our direct volunteer benefits as directed by the committee.

I would ask Mr. Genebach to give us the impact of a 4.3-percent reduction.

Mr. GENEBACH. Mr. Chairman, in the Retired Senior Volunteer Program that meant a reduction of $1.4 million; in Foster Grandparents, $2.6 million; and in Senior Companions, about $1 million reduction.

This, of course, meant that there would be less for the cost-of-living increases in the first two cases, and in the third case, in the Senior Companions Program there were additional funds for new projects which cut the amount for COLA down.

VOLUNTEERS IN SERVICE TO AMERICA LITERACY CORPS

Senator WEICKER. On Tuesday, March 29, the Washington Post carried an article concerning literacy problems in the workplace. In it, several administration officials voiced strong concern over the need to improve literacy skills in America's work force. Secretary McLaughlin, Secretary Verity, and Secretary Bennett all alluded to the problem.

Despite these statements, ACTION's budget request eliminates funding for the VISTA Literacy Corps. Given the above testimony of the Secretaries of Labor, Commerce, and Education, how can the elimination be justified?

I think we would all agree, I might add, not just with their statements, but this truly has become a major national problem, and if there was any time that we need the VISTA Literacy Corps, it is now.

Ms. ALVARADO. Mr. Chairman, I am pleased to have the opportunity to answer your question.

I, too, believe that illiteracy is probably one of the greatest single root causes of poverty in this country today. As a Hispanic American, I am appalled by the fact that 50 percent of the children in my community do not graduate from high school. Within the black community it is very close to that.

Knowing that education is the basis for a democratic society, it is indeed a national priority. It is also a priority at ACTION. We continue to devote many, many of our resources toward iiteracy not only within the VISTA Program, where more than 15 percent of our resources are allocated outside of the VISTA Literacy Corps, but also within RSVP, and within the Foster Grandparent Program, and our demonstration programs.

The point that I would raise with regard to our position on the VISTA Literacy Corps is that as the VISTA Program has developed traditionally throughout the 24 years of its existence, the basic purpose was to provide volunteer opportunities for Americans to serve the poor full time in the communities and also to address those needs which the community had identified as being its priority.

I do not quarrel with the fact that literacy is an issue which must be addressed. I certainly agree and that ACTION will continue to address literacy as a focus area. At the same time, I do not believe that a specific set-aside within VISTA is necessarily the ideal approach.

Senator WEICKER. My problem is that the ACTION authorization created the Literacy Corps. Why should ACTION decide to provide literacy programs differently from what Congress authorized?

Ms. ALVARADO. Mr. Chairman, as I said, with our 1989 budget request we are asking for the funding within the regular VISTA Program to address literacy needs. We are not requesting funding for that portion of the authorization because we believe that we can continue to address literacy efforts within our existing programs.

Senator WEICKER. Did you request this when you asked for $6 million less than OMB gave you?

Ms. ALVARADO. Yes; we requested zero funding from OMB for the Literacy Corps because we believed that we would be able to address, as I say, the needs within the existing programs.

Senator WEICKER. But you will admit to me that that is somewhat different than the authorization bill requires?

Ms. ALVARADO. That is correct. Yes, Mr. Chairman.

Senator WEICKER. I have to say to you, because I meant what I said in my complimentary remarks at the outset, that I have great faith in your commitment to all these matters, but I think to go in a direction different than that which Congress has authorized is not very impressive before the Appropriations Committee, regardless of whether you think it is better done in a different way. The fact is the law would indicate something different.

Ms. ALVARADO. Mr. Chairman, I would point out that although it is our position that we can continue to meet literacy needs within our existing programs, as we have done in past years, if the Congress chooses to appropriate the money for the Literacy Corps, as they have done in the past, we will make every effort to carry out the letter and the spirit of the law.

Senator WEICKER. It was not Congress, however, that zero funded it. That was your request, was it not?

Ms. ALVARADO. That is our position. Yes, Mr. Chairman.

Senator WEICKER. Senator Bumpers?

Senator BUMPERS. No questions, Mr. Chairman.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. I have further questions for submission to the record and for response to the record.

Again, I thank you for appearing before us, and I want to commend you for doing a great deal. We might have a little difference here, but it is something I think I would want to talk further about, as I am sure would the chairman. Let us see if something can be worked out on a matter of prime importance in regard to the overall activities of your agency.

Ms. ALVARADO. Thank you, Mr. Chairman. I look forward to your comments and to continuing to work with you on this issue of literacy as well as all of ACTION's programs.

Senator WEICKER. Senator Chiles also has questions for response to the record.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Long-Term Care - Senior Companion Progam

QUESTION: **Ms. Alvarado, the Senior Companion Program is a remarkably cost effective method of caring for the homebound elderly, while providing a small salary for our low-income seniors.**

In the administration's discussions of the problem of long-term care, have you been involved in any proposals to greatly expand the Senior Companion Program to help address this problem?

ANSWER: Yes, we are currently undertaking a major expansion of SCP (Senior Companion Program) services to address the needs of the homebound elderly. In FY'88 Congress voted a $5.035 million increase to SCP. Approximately $4.595 million is targeted for new projects. This will support approximately 30-40 additional projects which will range in size depending on community concentrations of older persons and the availability of homebound elderly clients. A Notice of Availability of Funds for the new grants was published April 13 in the Federal Register. We will award the grants by July 30. Volunteers supported under these new grants will provide long-term care services to homebound clients such as those who are: newly discharged from acute care hospitals, the terminally ill, families in need of respite care, and persons with mental health, impaired vision, and substance abuse problems. The goal is to help clients in these categories achieve and maintain an ability to live independent or semi-independent lives.

In addition, SCP recently joined with ADRA (Alzheimer's Disease and Related Disorders Association) to provide volunteer service opportunities for 25 Companions in 5 projects serving 50 Alzheimer's clients. The purpose of this $248,000 two year demonstration program is to provide respite care to the families of Alzheimer's victims.

Prior to the increased SCP appropriation in FY 1988, ACTION also developed and implemented 14 SCP challenge grants to expand volunteer opportunities for the low-income elderly. These grants are adminstered by existing SCP projects and are expected to produce about 102 additional SCP volunteers.

QUESTION: **The Administration on Aging has received nearly $5 million in new funding in the current fiscal year to initiate a service program for homebound frail elderly persons.**

Is ACTION involved in a formal way with the Administration on Aging or other federal agencies in promoting the utilization of its senior volunteers in services to the homebound frail elderly and their families?

ANSWER: Information on home-bound services to the frail elderly are routinely shared by ACTION and the Administration on Aging. Senior Companion Program project sponsors and Area Agencies on Aging regularily cooperate with one another on new funding initiatives and on-going case management and information and referral services. With respect to the $5 million AOA home-bound services initiative, ACTION's Region X director and his AOA counterpart have informed their networks of the availability of formula funds for home-bound support activities. On April 15, ACTION mailed to each of the State Agencies on Aging copies of the Notice of Availability of Funds for $4.5 million in new project funds to develop community services for the home-bound elderly through the Senior Companion Program. In addition to the Administration on Aging, formal arrangements on home-bound services between ACTION, the Veterans Administration and The National Institute on Aging are in place. In FY'87 Senior Companion projects reported 80 volunteers serving elderly veterans in-home through 15 VA Medical Centers. Through ACTION's participation on a National Institute on Aging Federal Interagency Committee on Aging Research, data has been shared on Senior Companions as a bridge between formal and informal in-home caregiver networks.

IGNORING SUPPORT NEEDS OF OLDER AMERICANS PROGRAMS

QUESTION: **Last year the Committee provided funding for cost-of- living increases for the Older Americans programs because their support budgets have been frozen for ten years. But we have learned that you are restricting the amount the programs can use for administrative costs to less than 30 percent. Many people at the local level have contacted us to say that you are being overly restricted here -- that you are being unresponsive to local needs, especially for our smaller Older Americans programs.**

How did you arrive at the decision to limit the use of funds for administrative costs?

ANSWER: ACTION has not frozen OAVP program support budgets for the last ten years. To the contrary, data for FY 85 to FY 87 shows that there was a 12% increase in support monies for the Foster Grandparent Program, 21% for the Senior Companion Program, and

9% for the Retired Senior Volunteer Program.

COLA funds for OAVP programs were allocated for the purpose cited in the Senate Committee report language:

The Committee has provided increased funding for each of the Older American Volunteer programs (OAVP). The House bill did the same. The Committee notes that ongoing programs have suffered due to reduced or static funding for volunteer support cost including transportation costs. In providing the authorized levels for the OAVP programs, the Committee intends to provide nationwide across-the-board cost-of-living increases to existing projects in all regions of the country to better meet the needs of current volunteers as well as to expand volunteer opportunities.

In establishing the policy for the distribution of the cost of living funds, two primary factors were considered:

1. The needs of the low income senior volunteers both in the programs and currently on waiting lists throughout the country; and

2. The needs of the projects to achieve their legislative mandates to provide opportunities for low income senior citizens.

In weighing these factors, ACTION considered such things as:

1. Historical data on project costs;

2. Input gathered from both project managers and the volunteers themselves;

3. The achievement of parity among the three Older American volunteer programs after the significantly varied FY'88 increase had been realized.

With regard to the first factor, the needs of the low income senior volunteer in both stipended programs, ACTION solicited the views of project directors. The top priorities citied regarding the needs of the volunteers were volunteer transportation and recognition. These two items were included as priorities in the ACTION policy guidance regarding the augmentation of the existing projects.

Furthermore, based on ACTION personnel site visits to projects around the country, and meetings with low income volunteers, it was determined that funds for low income volunteers' meals, and low income volunteers' physicals should also be designated as priority considerations for additional funding to expand volunteer services. The income eligibility ceiling for a low income senior volunteer to serve in an stipended program is $6,875.00 for a single adult and $9,250.00 for a married adult.

With regard to the second factor, the needs of the projects to achieve their legislative mandates of providing opportunities for low income senior citizens, again ACTION solicited the views of the projects. The priority cited was salaries. In factoring in this need, the Agency considered data regarding prior expenditures and budget requests for existing projects. As stated earlier, between FY 1985 and FY 1987, there was a 12% increase in support monies for the Foster Grandparent Program, 21% for the Senior Companion Program, and 9% for the Retired Senior Volunteer Program. All of this was prior to the appropriation by Congress of additional cost of living increases in project support in the FY 1988 appropriation.

Another significant consideration in these deliberations was the issue of parity among OAVP Programs. In allocating these new resources, ACTION deliberately sought to equalize the amount of cost of living increases for all OAVP programs.

The final program allocations and priorities that were subsequently established properly weighed the needs of both the low income senior volunteers and the projects. They also fully address the concerns described above.

QUESTION: **Why are you allowing the Retired Senior Volunteer programs to use all of their increase for administrative costs but putting restrictions on the Foster Grandparent and the Senior Companion programs?**

ANSWER: In RSVP the number of volunteers constitutes the base for distributing the increase. The number of Volunteer Service Years (VSYs) is used as a base for the stipended Foster Grandparent and Senior Companion Programs.

OLDER AMERICAN VOLUNTEER PROGRAMS

The entire RSVP increase ($1,017,000) was divided by the number of RSVP volunteers nationwide (391,093) yielding an average increase of approximately $2.60 per volunteer. This $2.60 amounted to a 3.4% increase in the average Federal cost per volunteer in the RSVP program.

Because ACTION does not have a programmatic basis to provide a greater percentage base for the cost-of-living increase in the Foster Grandparent Program and in the Senior Companion Program than was appropriated for RSVP, the 3.4% increase realized in RSVP was carried forward as a base for the FGP and SCP COLA increases.

QUESTION: **Isn't it inconsistent to ask for $1 million above your authorized ceiling for your own administrative budget, but place restrictions on the administrative budgets of the Older Americans programs?**

ANSWER: ACTION's consistent goal is to assure adequate support for volunteer programs. This applies equally to support by ACTION project sponsors and our own field staff in the state and Regional Offices.

In the past three years, there has been a significant increase in resources devoted to administrative support of the Older American Volunteer Programs within grantee sponsoring organizations. For example, between FY 1985 and FY 1987, there was a 12% increase in support monies for the Foster Grandparent Program; 21% for the Senior Companion Program, and 9% for the Retired Senior Volunteer Program. All of this was prior to the appropriation by Congress of additional cost of living increases in project support in the FY 1988 appropriation.

By contrast, ACTION's administrative budget has decreased over the same period by 2% from $25,633,000 to $25,132,000 notwithstanding uncontrollable cost increases. The proposed 4% (or $1 million) increase in administrative support in FY 1989 is thus a very modest budget increase and one that is sorely needed. In summary, both program administration and project administrative funding are necessary to assure strong support for volunteer projects. The fact is that the agency's program administration side has not kept pace over the years.

QUESTION: **Would you consider revisiting this issue and allowing local discretion over the use of funds or increasing the percentage of funds the local programs can use for administrative costs?**

ANSWER: As requested, I have taken another look at the manner in which the budget increases for OAVP were allocated and I want to assure you the decision was undertaken only after considerable thought.

As I have previously stated, the total support cost for OAVP projects in 1985-1987 period has risen 12% 21%, and 9% for the FGP, SCP and RSVP projects respectively. It is our opinion that, by allowing 29% of the COLA increase to be used for support cost, we have met the support need of our local sponsors, while, at the same time, allowing the projects to: (1) meet the needs of low-income senior volunteers both in the programs and on waiting lists, and (2) meet the needs of the projects to achieve their legislative mandate to provide opportunities for low-income senior citizens.

Another significant consideration in our deliberations was the issue of parity among OAVP programs. In allocating these new resources, we deliberately sought to equalize the cost of living increases for support among all the programs.

I still believe that our decision was the right one, taking into account all the needs of these programs.

New Senior Companion Projects

QUESTION: **Ms. Alvarado, last year, in addition to the cost-of-living increase for the Senior Companion Program, we provided funding for new projects. Please tell us your timetable for obligating funds for the new Senior Companion projects?**

ANSWER: By July 30, ACTION will issue new SCP Program Notice of Grant Awards to fund approximately 30-40 projects. On April 13, we published a Notice of Availability of Federal Funds in the Federal Register, assuring a broad nationwide competition over a two month period, with a deadline, for applications of June 10. The State, Regional, and Headquarters review process will allow for awards to be made by July 30.

QUESTION: **Please tell us what procedures you intend to use to follow the Committee's directive to focus these new projects in areas of high concentrations of the homebound elderly?**

ANSWER: The new project money will support approximately 30-40 additional SCP projects which will range in size depending on community concentrations of eligible low income older persons and the availability of homebound elderly clients. The attached Notice of Availability of Funds issued on April 13, in the Federal Register assures a broad nationwide competition of aging network organizations. Specific guidance available through ACTION State Offices will identify categories of "at risk" older populations to be served by Senior Companions in home-based settings. These include assistance to clients with a variety of physical and mental health impairments that impede their ability to live independent or semi-independent lives. (See attachment A)

SENIOR COMPANION PROGRAM

QUESTION: I understand that your practice is to fund new projects at less than full capacity in the first year of operation and then provide full funding to these projects in their second year. What additional funds will be required in 1989 to fully fund the new projects, assuming you do not reduce funding to the older projects?

ANSWER: No additional funds will be required in FY 89 to continue funding for the approximately 30-40 new SCP projects which will be started in FY 1988. Existing projects will not experience reduced funding as a result of the start-up of the new projects.

TERMINATION OF VISTA LITERACY CORPS

QUESTION: Ms. Alvarado, this year we are funding at least 335 volunteer service years in the Literacy Corps program. Your budget proposes that we terminate this program in 1989 and let these activities be taken over by the regular VISTA program, where you want us to add only 100 volunteer service years.

In order to maintain the current level of volunteer years in literacy, won't you be required to reduce your efforts with the hungry, the homeless and the unemployed, if we follow your request and terminate the Literacy Corps?

ANSWER: With an increase of 100 service years in VISTA in FY '89, as requested in the President's budget, along with the normal turnover of approximately 25% of VISTA's projects each year, we expect to be able to maintain approximately the same number of VISTA Volunteers in literacy projects without continued funding for the Literacy Corps.

As to reducing VISTA's efforts in other emphasis areas, the funding of the Literacy Corps at the FY 89 authorization level of $5 million would have much more of a negative impact in this regard than the termination of the program. The chart below illustrates the disproportionate distribution of resources between literacy and non-literacy initiatives that has resulted from the formation of the Literacy Corps.

	VISTA	Literacy Corps
87	2400	250
88	2500	335
89	2600	600

Over a three-year period the development of new VISTA projects in all emphasis areas will increase by 300 VSY's, whereas the development of new Section 109 literacy projects alone will increase by 600 VSY's or twice that amount.

QUESTION: **Ms. Alvarado, our Committee report accompanying the 1988 appropriation bill requested that you investigate the feasibility of an interagency agreement with the Education Department to better coordinate your literacy activities.**

Please bring us up to date on your progress in this area?

ANSWER: The Director of VISTA has held discussions with the Department of Education's Adult Literacy Initiative staff to foster cooperation between the two agencies. A draft interagency agreement is currently being finalized and we hope to sign the agreement in the third quarter of FY 1988.

ACTION AGENCY DRUG ABUSE ACTIVITIES

QUESTION: **Ms. Alvarado, last year the agency asked for no new funding for your drug abuse activities that were begun with the Omnibus Drug Abuse Act. I am pleased to see that the agency is now requesting funding for your drug abuse programs.**

Ms. Alvarado, please bring us up to date on your agency's efforts in the area of drug abuse prevention.

ANSWER: In FY 87, 101 grants were awarded to local organizations focusing on:

- drug use prevention among youth;
- the misuse of prescription and over-the-counter drugs by the elderly;
- organizing parent groups in low-income communities and
- the provision of technical assistance.

The 101 Drug Alliance Grantees have generated:

- Over 6,000 volunteers;
- 484,000 Individuals Served;
- Average of 1,110 individuals served per project;
- 1,548 Schools Served;
- 930 Organizations Served; and
- 1,045 Networks or Coalitions Created/Helped

The Drug Alliance has provided technical assistance and training, such as:

- November 1987 Training Conference attended by Drug Alliance, Demonstration Grantees, and PGP Challenge Grantees. Also, ACTION's field staff was trained in prevention for the first time. Training focused on PRIDE drug prevention model, fund raising, and at-risk youth programming;
- Development of a how-to-manual providing information on creating volunteer-based drug use prevention projects;
- Under a grant to the Boy Scouts of America, the printing and distribution of 35,000 posters "Drugs: A Deadly Game!" depicting the health consequences of drug use;
- Under a grant to The Just Say No Foundation, the printing and distributing of a how-manual entitled Meeting The Challenge, for service clubs wishing to get involved in organizing Just Say No Clubs.

The Drug Alliance's public affairs activities have included:

- Development of a anti-drug public service announcement featuring rap singer Kurtis Blow.
- In conjunction with National Association of Broadcasters (NAB), Kids Summit conducted November 1987. The event educated 250 elementary school children and concerned citizens about creative ways in which the electronic media could steer youngsters away from drugs. Also, a resource guide was developed by ACTION and NAB for distribution at the conference and thereafter. This guide is designed to assist educators, health care and social service professionals, as well as parents and children, in teaching America's youth the dangers of alcohol and drug abuse.

QUESTION: What portion of your agency's Citizen Participation and Demonstration funds will be used for drug abuse activities?

ANSWER: ACTION's Drug Alliance Program has been allocated $1,554,000 in FY'88 Part C funds to fund innovative proposals aimed at preventing the use of illicit drugs by youth, and to provide drug abuse prevention technical assistance resources.

Over half of the $754,000 in FY'88 Part C allocated for Program Demonstration grants will also be used to fund innovative proposals for the development and expansion of Drug Abuse Prevention coalitions and networks focusing on state-wide parent groups, public housing units, and low-income communities.

Nearly 1/3 of the $347,000 in FY'88 Part C funds allocated for Citizen Participation Programs will be used to fund innovative MiniGrant proposals focusing on drug abuse prevention and education.

The remaining FY'88 Part C funds will be used to fund innovative proposals in the areas of at-risk youth services and literary, as well as community priority need areas.

ENHANCED RECRUITMENT OF COLLEGE GRADUATES

QUESTION: Ms. Alvarado, last year you reported to the Committee that in the entire State of Florida there was only one VISTA Volunteer who was a recent college graduate. In the Committee report for 1988, we asked you to develop numerical goals and guidelines to enhance the recruitment of recent college graduates and report them to the Committee.

The report you have submitted shows an enhanced recruitment effort, but it does not say what your goals are for the number of college graduates you hope to recruit.

--How many recent college graduates do you hope to recruit this year, and how will you monitor your progress toward this goal? When will you be able to report to the Committee on your progress?

ANSWER: The VISTA FY 88 Current Year Operating Plan (CYOP) reflecting enhanced recruitment efforts that was submitted to the Committee was prepared and implemented as FY 88 policy guidance approximately six months prior to the issuance of the Committee report.

The VISTA sponsoring organization has primary responsibility for volunteer recruitment. For this reason, VISTA has focused primarily on providing these organizations with the assistance they seek regarding recruitment as well as advising them of college students who have requested information about the VISTA program. In this regard, in March a letter was sent to all VISTA sponsors reminding them of the availability of the Talent Bank as well as the student loan benefits for VISTA volunteers. Furthermore, VISTA has allocated 50% of its entire communications budget for development and distribution of VISTA marketing material within college communities. For example, the attached advertisement recently ran in 180 campus newspapers. In Florida, the advertisement is running in school newspapers at the following campuses: Eckerd College, Florida Atlantic University, Florida State University, University of Central Florida, University of Florida, University of Southern Florida, and the University of Western Florida.

Our FY 89 CYOP will include as a goal a 5% increase in recruitment of individuals who have graduated from college within the last 5 years. Each VISTA sponsoring organization will be notified by letter of this goal and again encouraged to contact their local colleges and universities when filling volunteer vacancies.

With regard to the Florida VISTA Volunteers, it should be noted that this is uncharacteristic of the program nationally.

During the FY 87 Round I Data Collection of the VISTA Goal Accomplishment and Community Effects Evaluation Study, 41% of the VISTA Volunteers surveyed indicated that they had at least a bachelor's degree. Of the volunteers in the same sample who were between the ages of 18-25, 73% had at least a bachelor's degree indicating that younger VISTA Volunteers are more likely to have higher levels of education than all volunteers surveyed as part of the evaluation study. (See Attachment B)

Older American Volunteer Programs Last Minute Change in Budget Request

QUESTION: Your funding request for the Older American Volunteer Programs in fiscal year 1989 totals $113 million. I understand that when the President's budget was delivered to Congress on February 18, you announced that the Senior Companion Program would receive approximately a $1.8 million increase, and the RSVP and Foster Grandparents programs would receive no increase. Later, this figure was revised so that the $1.8 million increase was distributed between RSVP and Foster Grandparent with the Senior Companion Program receiving no increase. Please explain this last-minute shift.

ANSWER: There was a misunderstanding when the $1.8 million increase requested in the FY 89 budget for the Older American Volunteer Programs was earmarked for the Senior Companion Program. Mistakenly, it was assumed that additional funds would be required in FY 89 to continue at full funding the 30-40 new SCP projects which ACTION intends to fund in FY 88 with the increased appropriation which SCP received for this fiscal year.

An increase in funds will not be required to maintain the new SCP projects. Given the significant amount of additional SCP funding appropriated by Congress in FY 88 and the type of new projects which will be established this year SCP will be placed in a difficult position were it to receive further increased funds in FY'89.

The estimated 30-40 new projects to be funded in FY'88 will provide services to homebound elderly, Alzheimers patients, and other frail elderly which represent particularly difficult assignments. Significant technical assistance and supervision is required of ACTION field staff for new projects such as these. Consequently, a large funding increase for SCP for the second year was not deemed appropriate. There is an increase of $15,000 requested for SCP over the FY 88 level which will be applied to the continuation of several program evaluations.

The RSVP and FGP programs did not receive additional funds to expand VSY's in FY'88 and, consequently, an increase in the FY'89 budget was requested to allow these two programs to expand their volunteer activities, particularly with at-risk youth and in drug abuse prevention activities.

UNNECESSARY REDUCTION IN LITERACY VOLUNTEERS

QUESTION: **Ms. Alvarado, last year you requested $20.7 million for the regular VISTA program to support 2,100 volunteer service years. We were not able to supply the full amount, but you still expect to fund 2,100 service years by phasing in the subsistence and health benefits later in the year.**

Since you are also phasing in these benefits for the literacy corps, why are you reducing the number of literacy service years below the full funding amount when you didn't have to reduce the service years for the regular VISTA program?

ANSWER: Due to the uncertainties surrounding the funding of the Literacy Corps in FY 88 until very late in the 1st quarter, training entries for the 1st quarter, as well as planned entries for the 2nd quarter, were retained at the FY 87 level. The impact of this situation is that a higher number of field entries, and consequently a higher cost per volunteer service year, resulted. The higher service year cost, and the accompanying budget cut of $128,000 below the authorization level, necessitated the subsequent reduction in our service year target.

In FY 87 our original Literacy Corps service year target was 235, but the final number achieved was 250. Similarly in FY

88 we will make every effort to increase service year production above 335 if our budget, project development, and training activity permit this to happen. (As a footnote, the Administrations's request of $20.7 million was designed to support the 2500 volunteer service year floor mandated in FY 88.)

IRREGULAR PLACEMENT OF LITERACY CORPS VOLUNTEERS

QUESTION: Ms. Alvarado, last year you placed the great majority of literacy volunteers through grants rather than through the standard VISTA placement procedures. It would appear that this was done to declare the literacy service years within the fiscal year.

What actions are you taking to improve your placement of the literacy corps volunteers through the standard placement mechanism?

ANSWER: In FY 89, we expect to generate approximately 335 volunteer service years in the Literacy Corps. Of that number, we estimate that approximately 80% (270 VSY) of the service years will be placed through the standard mechanism.

SUBSISTENCE ALLOWANCE/OTHER

QUESTION: On page 33 of your budget summary you state in regards to the FY 1989 budget that: "It will also support a projected 16% increase in the cost of VISTA Volunteer health coverage." However, in a recent letter to the Chairman of the Senate Children, Family, Drugs and Alcohol Subcommittee you stated in regards to the 1988 health contract: "Although ACTION's Fiscal Year 1988 budget submission reflected an anticipated 10% increase...the final contract is based on a projected 18.6% increase." Accordingly, your FY 1989 health contract cost estimates may be too low. How will you pay for the health contract if the increase is larger than 15%?

ANSWER: The VISTA health contract is deliberately funded on the calendar rather than the fiscal year cycle in order to provide for the uncontrolled variables which are intrinsic to health insurance costs. Furthermore, it should also be noted that subsequent to the submission of ACTION's FY 88 budget request to Congress in FY 87, VISTA, on a yearly basis, has used the services of an actuarial consultant to more closely monitor our volunteer health insurance expenses and more accurately forecast our future health insurance costs.

QUESTION: Are there any other parts of the VISTA budget that you may need additional funds for in FY 1989?

ANSWER: At this time, we do not anticipate a need for any other additional funding in the VISTA program in FY 89.

VISTA LITERACY CORPS

QUESTION: On page 34 of your budget submission, you state: "Since the purposes of the program can be accomplished more efficiently and effectively through the Agency's ongoing programs, ACTION is not requesting additional funds for this program in FY 1989."

(a) Have you done any evaluation of Literacy Corps projects?

(b) If not, how can you determine that this program is not efficient or effective?

(c) How does the amount of all VISTA resources allocated to illiteracy compare to other legislatively mandated priority areas, such as hunger and homelessness?

ANSWER: (a) The VISTA Literacy Corps guidelines recommend that literacy projects and proposals contain a self-assessment or evaluation component. Moreover, all project applications are reviewed and approved by State and Regional Offices prior to a final decision by the Director of VISTA.

(b) The Literacy Corps is less effective and efficient because the Agency is required to maintain separate administrative requirements and costs for both literacy initiatives within the VISTA program. VISTA literacy projects are now developed according to two sets of guidelines, funds are obligated against two different appropriations, and volunteers and volunteer service years are counted by additional data entries on volunteer personnel and payroll documents which now must distinguish between Section 109 volunteers, non-109 literacy volunteers and non-109 non-literacy volunteers.

ACTION State office staff manually prepare all such VISTA personnel/payroll transactions. Subsequently the Regional offices and Headquarters maintain three separate automated tracking systems on a monthly basis to comply with the requirements of the Literacy Corps. The manpower and time required to perform these administrative functions could more effectively be used by the ACTION staff to provide technical assistance directly to organizations seeking to alleviate illiteracy among the poor through voluntarism.

(c) As of December 31, 1987, the VISTA resources allocated to literacy in comparison to other legislatively mandated emphasis areas were as follows:

Emphasis Area	% of Vols.	# of Vols.
Drugs	12%	352
Food/Hunger	17%	485
Homeless	9%	257
Literacy (VISTA & Sec. 109 Lit. Corps)	33%	929
Job Placement/Unemployed	22%	624
Other	7%	175
Total	100%	2,822

VISTA

QUESTION: The 1986 amendments to the Domestic Volunteer Service Act directed the Director of ACTION at a cost not to exceed $250,000 to recruit and place individuals from all walks of life, age groups, economic levels and geographic areas to serve as VISTA Volunteers.

(a) What is the projected cost for VISTA recruitment and public awareness in FY 1988? FY 1989?

(b) How much did you spend on these activities in FY 1987?

ANSWER: (a) The projected cost for VISTA recruitment and public awareness in FY 88 is $100,000. It should be noted that this is the only non-fixed VISTA costs that were not reduced as a result of the 4.3% budget cut in FY 88. In FY 89, the projection is approximately $125,000.

(b) In FY 87, the initial amount of funds budgeted was $100,000; the final amount expended on VISTA recruitment and public awareness activities was $118,465.

QUESTION: In your FY 1988 budget submission, you referred to the VISTA Talent Bank which you had established to ensure that a portion of VISTA Volunteers are placed in projects outside their own communities, and outside their own states. In your FY 1989 budget submission, there is no information on the Talent Bank.

(a) What is the status of the Talent Bank? Specifically:

(b) How many entries do you have in the Talent Bank to date?

(c) In FY 1987, how many volunteers were placed in projects outside of their own communities or states?

(d) How many volunteers have been placed in projects outside their own communities or states in FY 1988?

ANSWER: As stated in our FY 88 budget submission, the VISTA Talent Bank was established "to identify potential volunteers with skills not readily available in some communities served by VISTA projects." It also ensures that potential applicants are made aware of the broad range of VISTA Volunteer opportunities.

(a) Approximately 1,600 names, primarily of college-age students, who have requested information about the VISTA program have been entered into the Talent Bank. These people have each been sent a VISTA Brochure which gives the highlights of the VISTA program as well as the listing of all ACTION state offices.

In addition, the appropriate ACTION state offices have been forwarded information regarding these individuals for use in assisting sponsors with their recruitment efforts.

To date, three sponsoring organizations have requested assistance from the Talent Bank and subsequently two referrals were selected by two sponsoring organizations to serve as VISTA Volunteers. In March, a mailing was sent to all VISTA sponsoring organizations reminding them of the availability of the Talent Bank as well as student loan benefits to former college students who enroll in the VISTA program.

(b) During the FY 87 Round I Data Collection of the VISTA Goal Accomplishment and Community Effects Evaluation study, 31% of the VISTA Volunteers surveyed indicated that their residence prior to VISTA service was in a community other than that of their VISTA project.

(c) During the FY 88 Round II Data Collection of the VISTA Evaluation Study, 31% of the VISTA Volunteers surveyed indicated that their residence prior to VISTA service was in a community other than that of their VISTA project.

(d) We are not able to predict how many future VISTA Volunteers will come from residences which are in communities other than those where they will serve. In keeping with the House Conference Report [Domestic Volunteer Service Act Amendments of 1984, Public Law No. 98-288, 98 Stat. 189 (1984), Conference Report, 98-679.

ACTION's current policy recognizes that the placement of volunteers in their own communities or in nearby communities often results in particularly effective VISTA projects. It also recognizes that community identified needs which cannot be met in the local area, as well as the individual desires of VISTA Volunteers in regard to placement in various geographic areas of the nation, should be taken into consideration in the assignment of volunteers to VISTA projects.

ADVISORY COUNCIL

QUESTION: **How many times did the ACTION Advisory Council meet during the past year?**

ANSWER: In 1987, the Agency Council met two times.

QUESTION: **What was accomplished at those meetings, and what were the costs involved?**

ANSWER: These meetings of the Advisory Council resulted in recommendations on the selection of recipients of the President's VOLUNTEER ACTION Awards from over 2,000 applicants nationwide. In addition, the Council explored and discussed the various private volunteer projects throughout the country and suggested ways of identifying corporations and other resources that would be supportive. The Council also reviewed ACTION's own programs such as the Foster Grandparent Program (FGP) and Volunteers in Service to America (VISTA). The members discussed ACTION's goals and objectives, Balanced Budget Emergency Deficit Act of 1985 reductions, private-sector initiatives, a new subcommittee structure for the Council, and long-range planning. The Council explored the new drug abuse programs including ways of informing the public through public service announcements. The year's two meetings were essential to furthering ACTION's agenda. The costs involved for both meetings totaled $9,304.40.

QUESTION: **What efforts have been made to include representatives of ACTION's major programs, such as VISTA or the Older American Volunteer Program Directors, on the Advisory Council?**

ANSWER: ACTION's Advisory Council, is composed of members chosen from all areas of the country because of their interest in promoting volunteerism. They represent a broad cross section of fields, including industry and labor representatives, local and State, officials, and non-profit organizations.

These members draw on their diverse experience to advise the Director of ACTION on issues and policy. This allows for greater innovation in exploring joint government/private sector volunteer initiatives. This also allows for wider local and regional support for voluntarism.

Many members of ACTION's Advisory Council are very distinguished and accomplished in their own fields. Neither they nor their organizatons receive any financial benefit from ACTION's programs. A major opportunity for them to serve their country is offered by volunteer service on the Advisory Committee. Their participation taps talent and provides perspectives which would otherwise be unavailable to bring much needed attention and publicity to voluntarism and to ACTION.

Although neither ACTION sponsored volunteers nor organizations or individuals receiving ACTION appropriations are serving on the Advisory Council, the Agency has a well-defined and extensive process for seeking their views on Agency programs through our State and Regional offices as well as through Agency-funded training and development conferences.

QUESTION: **Last year the Committee requested a copy of the management study which was the basis for the Agency's realignment" plan. You indicated that a copy would be forwarded to the Committee "upon completion of ACTION's review of the study and other pertinent data." Has this been done?**

ANSWER: Attached is a copy of the study. (See attachment C)

PERSONNEL

QUESTION: **The appropriations committee have requested quarterly reports from ACTION indicating progress in filling staff vacancies, particularly at the state and headquarters levels.**

Has the first quarterly report been submitted? Why not?

ANSWER: The first quarterly report was submitted on March 21, 1988.

QUESTION: **(a) What was the amount spent by ACTION on incentive awards in fiscal year 1988?**

(b) Who received those awards, and in what amounts?

(c) Please respond to the same question for fiscal year 1987.

ANSWER: The attached charts reflect incentive awards granted in FY 1987 and FY 1988. (See attachment D)

QUESTION: What is the current status of efforts to relocate ACTION's headquarters office?

ANSWER: ACTION and the General Services Administration (GSA) are working together to identify new headquarters office space. GSA recently advertised for office space; ACTION and GSA are now inspecting buildings which were offered in response to the advertisement. Concurrently, the two agencies are engaged in space planning.

QUESTION: (a) What is the authorization level for ACTION's program administration" for fiscal year 1989?

ANSWER: $25,312,000)

QUESTION: (b) What is your FY 1989 request for program administration?

ANSWER: 26,321,000 -- $1 million higher than authorized level

QUESTION: (c) How do you justify this discrepancy?

ANSWER: In reviewing the Agency's reimbursements for FY 1989, the Office of Management and Budget agreed that ACTION's request for funds in excess of the authorization level was valid in view of the following factors:

- The Agency has absorbed both civilian pay raises and other uncontrollable increases without a substantial increase in the appropriated level for program administration since 1983.
- The Congress has clearly stated its concern over the staffing level of the field offices and the inability of the Agency to conduct two project monitoring site visits per year, yet due to the level of such uncontrollable non-personnel costs as building rents, telecommunications, data processing services, and maintenance and repair, ACTION does not have the financial resources available to meet the requirements imposed by the Congress.

QUESTION: How many new new-stipended Foster Grandparent and Senior Companion volunteers have entered these progams since enactment of Public Law 99-551 in October of 1986 (one and a half years ago)?

ANSWER: As of April 15, 1988, there were 60 non-stipended volunteers in the FGP and SCP programs.

QUESTION: Last year you testified that you would fund a study to evaluate the impact of the non-stipended volunteer initiative for $53,000. What was the results of this study?

ANSWER: Initial plans were to have the one evaluation start in FY 1987. The low number of volunteers postponed the start date. The $53,000 would have reduced the total cost of $119,500 for the two year evaluation.

QUESTION: **This year your Congressional Budget Submission indicates that $ 119,500 will be allocated for a comparative evaluation of Foster Grandparent/Senior Companion non-stipended volunteers.**

A) Do the numbers of non-stipended volunteers justify this contract?

B) When will the contract for this study be let?

ANSWER: As of April 15, 1988, there were 60 non-stipended volunteers in FGP and SCP. Consequently, two in-depth case studies will be conducted rather than a full-scale representative evaluation. The cost will be reduced accordingly. ACTION is still considering whether this evaluation will be done internally or by contract.

COST OF STIPEND ADJUSTMENT

QUESTION: **What is the current stipend received by Foster Grandparent and Senior Companion Volunteers?**

Answer: The current rate of stipends for Foster Grandparents and Senior Companion volunteers is $2.20 per hour.

QUESTION: **What would be the cost of raising this stipend to $2.50 per hour for all federally and non-federally supported Foster Grandparent and Senior Companion volunteers in fiscal year 1989?**

ANSWER: An increase of $0.30 in volunteer stipends for these two programs would require approximately $8.1 million.

This estimate is based on the number of both federal and non-federal volunteers currently budgeted in these programs.

OLDER AMERICANS CHALLENGE GRANTS

QUESTION: **How many Foster Grandparent and Senior Companion "challenge grants" were funded with fiscal year 1987 funds?**

ANSWER: Thirty two (32) existing FGP projects were awarded challenge grants in FY'87.

Fourteen (14) existing SCP projects were awarded challenge grants in FY'87.

QUESTION: **Please explain the concept of these challenge grants?**

ANSWER: The purpose of the 3 year challenge grants is to provide one-time "seed" money to our projects to help them expand opportunties for volunteer service to increased numbers of low-income elderly by generating non-federal support for the projects.

These grants were allocated to Regions IV and VI. Program funding in these regions is currently below the regional percentage share of the low-income elderly population which is among the highest in the country.

FGP projects which have been awarded these grants are very enthusiastic about this effort and are generally confident that the grants will be self-sufficient at the end of the 3 year funding period.

QUESTION: **How many senior volunteers are involved in challenge grant programs?**

ANSWER: Over the 3 year funding period the FGP projects are expected to recruit about 400 additional volunteers. A total of 102 additional VSYs in the Senior Companion Program is supported by this activity.

STAFFING PATTERNS - PRIORITIES FOR STATE OFFICES

QUESTION: **Ms Alvarado, both the Senate report and the conference report for last year's appropriations bill asked you to supply the Committee with reports on your staffing pattern. We recognized that you are living with a tight staffing budget and we wanted to be sure that you had adequate resources in the States for the people that are working most directly with the programs. We have received your report, but because you have attrition going on at the same time as new hiring, it is difficult to identify where you are directing your available staff resources. Can you assure the Committee that you are giving the States and regional offices your highest priority with your staffing resources?**

ANSWER: The increased level of program activity, especially in the development of new projects and volunteer placements in VISTA, VISTA Literacy Corps, and the Older American Volunteer Programs, supports an increased level of program administration funding.

We hope that the Subcommittee will also consider these factors as compelling reasons to approve our request for increased funding for program administration.

Yes I can give the Committee that assurance. We have filled four positions in state and regional offices since 10/1/87 and are currently recruiting for 26 compared to 11 positions filled in headquarters since 10/1/87 with recruitment underway for nine.

QUESTIONS SUBMITTED BY SENATOR ERNEST F. HOLLINGS

OLDER AMERICAN VOLUNTEER PROGRAMS

QUESTION: Ms. Alvarado, I have recently been contacted by my State Commission on Aging regarding the way you are implementing the cost-of-living increase for the Foster Grandparent Program. My Aging Commission tells me that these projects haven't received any increases for administration in ten years and now that the Congress has provided a small increase for this purpose, you are restricting the money in a way that cripples their ability to meet their needs. Why are you being so restrictive on these program support budgets?

ANSWER: ACTION has not frozen OAVP program support budgets for the last ten years. To the contrary, data for FY 85 to FY 87 shows that there was a 12% increase in support monies for the Foster Grandparent Program, 21% for the Senior Companion Program, and 9% for the Retired Senior Volunteer Program.

In South Carolina, support for Foster Grandparent projects increased by 10.4%, for Senior Companion projects by 27%, and for Retired Senior Volunteer projects by 11.7% during the past three years.

COLA funds for OAVP programs were allocated for the purpose cited in the Senate Committee report language:

The Committee has provided increased funding for each of the Older American Volunteer programs (OAVP). The House bill did the same.

> "The Committee notes that ongoing programs have suffered due to reduced or static funding for volunteer support cost including transportation costs. In providing the authorized levels for the OAVP programs, the Committee intends to provide nationwide across-the-board cost-of-living increases to existing projects in all regions of the country to better meet the needs of current volunteers as well as to expand volunteer opportunities."

In establishing the policy for the distribution of the cost of living funds, two primary factors were considered:

1. The needs of the low income senior volunteers both in the programs and currently on waiting lists throughout the country; and

2. The needs of the projects to achieve their legislative mandates to provide opportunities for low income senior citizens.

In weighing these factors, ACTION considered such things as:

1. Historical data on project costs;

2. Input gathered from both project managers and the volunteers themselves;

3. The achievement of parity among the three Older American volunteer programs after the significantly varied FY'88 increase had been realized.

With regard to the first factor, the needs of the low income senior volunteer in both stipended programs, ACTION solicited the views of project directors. The top priorities citied regarding the needs of the volunteers were volunteer transportation and recognition. These two items were included as priorities in the ACTION policy guidance regarding the augmentation of the existing projects.

Furthermore, based on ACTION personnel site visits to projects around the country, and meetings with low income volunteers, it was determined that funds for low income volunteers' meals, and low income volunteers' physicals should also be designated as priority considerations for additional funding to expand volunteer services. The income eligibility ceiling for a low income senior volunteer to serve in an stipended program is $6,875.00 for a single adult and $9,250.00 for a married adult.

With regard to the second factor, the needs of the projects to achieve their legislative mandates of providing opportunities for low income senior citizens, again ACTION solicited the views of the projects. The priority cited was salaries. In factoring in this need, the Agency considered data regarding prior expenditures and budget requests for existing projects. As stated earlier, between FY 1985 and FY 1987, there was a 12% increase in support monies for the Foster Grandparent Program, 21% for the Senior Companion Program, and 9% for the Retired Senior Volunteer Program. All of this was prior to the appropriation by Congress of additional cost of living increases in project support in the FY 1988 appropriation.

Another significant consideration in these deliberations was the issue of parity among OAVP Programs. In allocating these new resources, ACTION deliberately sought to equalize the amount of cost of living increases for all OAVP programs.

The final program allocations and priorities that were subsequently established properly weighed the needs of both the low income senior volunteers and the projects. They also fully address the concerns described above.

PROGRAM ADMINISTRATION

QUESTION: **In your statement, you make a strong case for your own agency's support budget and you ask for a funding level that is $1 million above your authorized ceiling. Don't think that the individual Foster Grandparent programs have seen some of the same growth in administrative costs that you have?**

ANSWER: ACTION is well aware of the increased administrative costs experienced by the Foster Grandparent projects, and the increases in administrative support experienced by those projects in recent years.

In the past three years, there has been a significant increase in resources devoted to administrative support of the Older American Volunteer Programs within grantee sponsoring organizations. For example, between FY 1985 and FY 1987, there was 12% increase in support monies for the Foster Grandparent Program; 21% for the Senior Companion Program, and 9% for the Retired Senior Volunteer Program. All of this was prior to the appropriation by Congress of additional cost of living increases in project support in the FY 1988 appropriation.

By contrast, ACTION's administrative budget has decreased over the same period by 2% from $25,633,000 to $25,132,000 notwithstanding uncontrollable cost increases. The proposed 4% (or $1 million) increase in administrative support in FY 1989 is thus a very modest budget increase and one that is sorely needed. In summary, both program administration and project administrative funding are necessary to assure strong support for volunteer projects. The fact is that the agency's program administration side has not kept pace over the years.

ACTION's consistent goal is to assure adequate support for volunteer programs.

This applies equally to support by ACTION project sponsors and our own field staff in the state and Regional Offices.

QUESTION: **In your statement, you say that the increase in your agency's support budget is necessary so that your staff can improve the delivery of services by the volunteer organizations. Don't you have a responsibility to the organizations that are delivering the service and seeing to it that they also have adequate administrative resources?**

ANSWER: ACTION is well aware of the increased administrative costs experienced by the Foster Grandparent projects and the increases in administrative support experienced by those projects in recent years.

In the past three years, there has been a significant increase in resources devoted to administrative support of the Older Admerican Volunteer Programs within grantee sponsoring organizations. For example, between FY 1985 and FY 1987, there was a 12% increase in support monies for the Foster Grandparent Program; 21% for the Senior Companion Program, and 9% for the Retired Senior Volunteer Program. All of this was prior to the appropriation by Congress of additional cost of living increases in project support in the FY 1988 appropriation.

By contrast, ACTION's administrative budget has decreased over the same period by 2% from $25,633,000 to $25,132,000 notwithstanding uncontrollable cost increases. Furthermore, the number of ACTION field staff has been far below the agency's authorized level as a result of these budget constraints. The proposed 4% (or $1 million) increase in administrative support in FY 1989 is thus a very modest budget increase and one that is sorely needed. In summary, both program administration and project administrative funding are necessary to assure strong support for volunteer projects. The fact is that the agency's program administration side has not kept pace over the years.

ACTION's consistent goal is to assure adequate support for volunteer programs. This applies equally to support by ACTION project sponsors and our own field staff in the state and Regional Offices.

QUESTIONS SUBMITTED BY SENATOR QUENTIN N. BURDICK

QUESTION: **How has ACTION implemented the cost-of-living increase provided by Congress to existing Older American**

Volunteer Programs with fiscal year 1988 funds?

ANSWER: Each project received an allocation based on the number of volunteers or volunteer service years it had budgeted for FY 1988. This allocation per program was:

RSVP - $2.60 per volunteer
FGP - $70.00 per volunteer service year
SCP - $72.00 per volunteer service year

QUESTION: What is the total amount of money allocated for the cost-of-living increase for each of the three Older American Volunteer Programs?

ANSWER: The FY-88 increased appropriations for the three OAVP programs were allocated in the following manner:

RSVP: $1,017 million
FGP: $1,344 million
SCP: $440,500

QUESTION: How do you justify the restrictions placed on the use of the cost-of-living increases for the Foster Grandparent and Senior Companion projects.

ANSWER: ACTION established the following priorities to be taken into account by projects as they developed their applications for these funds.

1. Volunteer transportation
2. Volunteer recognition
3. Expansion of opportunities for volunteer service, particularly in the area of substance abuse prevention (for FGP) and homebound elderly (for SCP)
4. Annual physicals
5. Volunteer meals
6. Salary and benefits
7. Other (e.g. rent, communications, travel, supplies)

The last two items, salary and benefits, and other project costs (rent, communications travel supplies) could not exceed 29% of the maximum allocation for an FGP project and 28% for an SCP project.

In establishing the policy for the distribution of the cost of living funds, two primary factors were considered:

1. The needs of the low income senior volunteers both in the programs and currently on waiting lists throughout the country; and

2. The needs of the projects to achieve their legislative mandates to provide

opportunities for low income senior citizens.

In weighing these factors, ACTION considered such things as:

1. Historical data on project costs;

2. Input gathered from both project managers and the volunteers themselves;

3. The achievement of parity among the three Older American volunteer programs after the significantly varied FY'88 increase had been realized.

With regard to the first factor, the needs of the low income senior volunteer in both stipended programs, ACTION solicited the views of project directors. The top priorities citied regarding the needs of the volunteers were volunteer transportation and recognition. These two items were included as priorities in the ACTION policy guidance regarding the augmentation of the existing projects.

Furthermore, based on ACTION personnel site visits to projects around the country, and meetings with low income volunteers, it was determined that funds for low income volunteers' meals, and low income volunteers' physicals should also be designated as priority considerations for additional funding to expand volunteer services. The income eligibility ceiling for a low income senior volunteer to serve in an stipended program is $6,875.00 for a single adult and $9,250.00 for a married adult.

With regard to the second factor, the needs of the projects to achieve their legislative mandates of providing opportunities for low income senior citizens, again ACTION solicited the views of the projects. The priority cited was salaries. In factoring in this need, the Agency considered data regarding prior expenditures and budget requests for existing projects. For example, between FY 1985 and FY1987, there was a 12% increase in support monies for the Foster Grandparent Program; 21% for the Senior Companion Program, and 9% for the Retired Senior Volunteer Program. All of this was prior to the appropriation by Congress of additional cost of living increases in project support in the FY 1988 appropriation.

Another significant consideration in these deliberations was the issue of parity among OAVP Programs. In allocating these new resources, ACTION deliberately sought to equalize the amount of cost of living increases for all OAVP programs.

The final program allocations and priorities that were subsequently established properly weighed the needs of both the low income senior volunteers and the projects. They also fully address the concerns described above.

OLDER AMERICAN VOLUNTEER PROGRAMS

QUESTION: **Please explain how you arrived at the formula used in these restrictions?**

ANSWER: A detailed description of the formula for the SCP allocation is contained in the attached memo to the Staff Director of the House Appropriations Subcommittee on Labor, HHS, Education and Related Agencies. (See attachment F)

QUESTION: **How is it that you make the case for the Agency's need for increased administrative funds that rate $1 million over your authorized level, yet you don't seem to recognize that your local projects are also struggling with increased administrative costs--you expect them to get by year after year with no increases in their administrative expenses, and when Congress does finally earmark funds for that purpose, you place restrictions that tie the hands of project directors and prevent them from determining locally how best these funds can be spent. Please explain this?**

Answer: The OAVP program support budgets have not been "frozen" during recent years. To the contrary, data for FY 85 to FY 87 shows that there was a 12% increase in support monies for the Foster Grandparent Program, 21% for the Senior Companion Program, and 9% for the Retired Senior Volunteer Program.

COLA funds for OAVP programs were allocated for the purpose cited in the Senate Committee report language:

> The Committee has provided increased funding for each of the Older American Volunteer programs (OAVP). The House bill did the same. The Committee notes that ongoing programs have suffered due to reduced or static funding for volunteer support cost including transportation costs. In providing the authorized levels for the OAVP programs, the Committee intends to provide nationwide across-the-board cost-of-living increases to existing projects in all regions of the country to better meet the needs of current volunteers as well as to expand volunteer opportunities.

In establishing the policy for the distribution of the cost of living funds, two primary factors were considered:

1. The needs of the low income senior volunteers both in the programs and currently on waiting lists throughout the country; and

2. The needs of the projects to achieve their legislative mandates to provide opportunities for low income senior citizens.

QUESTIONS SUBMITTED BY SENATOR LOWELL P. WEICKER, JR.

The 1986 amendments to the Domestic Volunteer Service Act instructed the Director of ACTION at a cost not to exceed $250,000 to recruit and place individuals from all walks of life, economic levels, and geographic areas to serve as VISTA volunteers.

QUESTION: **What is the projected cost of VISTA recruitment in FY'89?**

ANSWER: In FY 89, the projected cost of VISTA recruitment is $125,000.

QUESTION: **How does this compare with FY'88?**

ANSWER: The FY'88 cost of VISTA recruitment is $100,000, for FY 89 there will be an increase of 25%, bringing the cost for FY 89 to $125,000.

QUESTION: **How many volunteers will be placed outside their own communities or states in FY'88?**

ANSWER: During the FY 88 Round II Data Collection of the VISTA Evaluation Study, 31% of the VISTA Volunteers surveyed indicated that their residence prior to VISTA service was in a community other than that of their VISTA project.

QUESTION: **The 1986 amendments also instruct ACTION to establish "specialized campaigns designed to recruit recent college graduates, special skilled individuals, and individuals 55 years of age and older", what campaigns has ACTION developed to respond to this directive?**

ANSWER: A report summarizing VISTA's recruitment efforts in FY 87 and the first quarter of FY 88, including college recruitment, was submitted to the Authorization Committee in January. A copy of the report is attached for your review. (See attachment B)

QUESTION: **Does ACTION intend to begin any new recruitment initiatives in FY'89?**

ANSWER: We cannot specify at this time what our recruitment plans for FY 89 will be since the agency's FY 89 operating plan will not be developed until later in the year.

QUESTION: **During the consideration of the FY'88 Labor, HHS and Education Appropriation, an additional 1 million dollars was recommended for program administration. However, the 4.26% cut eliminated the increase agreed to by the conferees.**

How has the cut effected ACTION's administration of programs in FY'88?

ANSWER: Even though the 1 million dollar increase recommended for program administration by the conferees was eliminated by the subsequent 4.2% cut, the Agency was still required to absorb uncontrollable rises in building and other rents, and in personnel compensation and benefits. This required ACTION to make reductions in discretionary areas:

- Staff travel has been reduced from projected levels. This has impacted on ACTION's administration of its volunteer service programs by forcing a reduction in project site visits by State office staff from the optimal level of two visits per year to only one site visit annually.
- The filling of critical vacancies in Regional and State Program Offices has been cut back, from levels which whould have been possible had the requested increase been approved. A consequence of budgetary constraints has been the inability of the Agency to reach its authorized FTE ceiling for the past several years.

ACTION has an obligation to support and administer large on-going programs including VISTA and the Older Americans Volunteer Programs. Also, major and time-limited new initiatives have been mandated in such areas as literacy and drug abuse. New activities are, by their very nature, time and staff intensive, requiring more frequent attention to assure they fully realize their potential. ACTION's inability to staff up to authorized levels, and to carry out a complete schedule of site visits has made program administration much more difficult. Fortunately, the Agency has a cadre of committed staff who have been willing to put forth the extra effort to compensate for these problems, but this is at best a temporary expedient.

Over time, ACTION has determined that a dollar of program administration funds can effectively support four dollars of program funding. Now, a dollar of program administration funds must support $5.30 of program funding - or a 25% stretching of support resources.

QUESTION: **The Congress provided increased funding for each of the Older Americans Volunteer Programs in Fiscal Year 1989 in order to provide nationwide across-the-board cost-of-living increases to Older American Volunteer projects.**

How has ACTION implemented the COLA's for these projects?

What was the justification for the manner in which they were implemented?

ANSWER: The cost-of-living increases to the OAVP programs were allocated for the purpose cited in the Senate Committee report language:

The Committee has provided increased funding for each of the Older American Volunteer programs (OAVP). The House bill did the same. The Committee notes that ongoing programs have suffered due to reduced or static funding for volunteer support cost including transportation costs. In providing the authorized levels for the OAVP programs, the Committee intends to provide nationwide across-the-board cost-of-living increases to existing projects in all regions of the country to better meet the needs of current volunteers as well as to expand volunteer opportunities.

In establishing the policy for the distribution of the cost of living funds, two primary factors were considered:

1. The needs of the low income senior volunteers both in the programs and currently on waiting lists throughout the country; and

2. The needs of the projects to achieve their legislative mandates to provide opportunities for low income senior citizens.

In weighing these factors, ACTION considered such things as:

1. Historical data on project costs;

2. Input gathered from both project managers and the volunteers themselves;

3. The achievement of parity among the three Older American volunteer programs after the significantly varied FY'88 increase had been realized.

With regard to the first factor, the needs of the low income senior volunteer in both stipended programs, ACTION solicited the views of project directors. The top priorities citied regarding the needs of the volunteers were volunteer transportation and recognition. These two items were included as priorities in the ACTION policy guidance regarding the augmentation of the existing projects.

Furthermore, based on ACTION personnel site visits to projects around the country, and meetings with low income volunteers, it was determined that funds for low income volunteers' meals, and low income volunteers' physicals should also be designated as priority considerations for additional funding to expand volunteer services. The income eligibility ceiling for a low income senior volunteer to serve in an stipended program is $6,875.00 for a single adult and $9,250.00 for a married adult.

With regard to the second factor, the needs of the projects to achieve their legislative mandates of providing opportunities for low income senior citizens, again ACTION solicited the views of the projects. The priority cited was salaries. In factoring in this need, the Agency considered data regarding prior expenditures and budget requests for existing projects. As stated earlier, between FY 1985 and FY1987, there was a 12% increase in support monies for the Foster Grandparent Program, 21% for the Senior Companion Program, and 9% for the Retired Senior Volunteer Program. All of this was prior to the appropriation by Congress of additional cost of living increases in project support in the FY 1988 appropriation.

Another significant consideration in these deliberations was the issue of parity among OAVP Programs. In allocating these new resources, ACTION deliberately sought to equalize the amount of cost of living increases for all OAVP programs.

The final program allocations and priorities that were subsequently established properly weighed the needs of both the low income senior volunteers and the projects. They also fully address the concerns described above.

QUESTION: **ACTION's request for FY'89 includes a 2% increase for the Retired Senior Volunteer Program and the Foster Grandparent Program, however, the Senior Companion Program essentially is frozen at last year's appropriated level.**

What is the justification for singling out this program for a freeze, particularily in light of the projected growth in our nation's elderly population who, without programs like the Senior Companion Program that assists the low income elderly, risk losing their independence?

ANSWER: SCP received a total of $5.035 million in additional funding in FY 1988. This is the highest increase given to any of the OAVP programs this fiscal year. Approximately $4.5 million of the new money will be used to fund new SCP projects this year.

The estimated 20-30 new projects to be funded in FY'88, will provide services to homebound elderly, Alzheimers patients, and other frail elderly which represent particularly difficult assignments. Significant technical assistance and supervision is required of ACTION field staff for new projects such as these. Consequently, a funding increase for SCP for the second year was not deemed appropriate.

The RSVP and FGP programs did not receive additional funds to expand VSY's in FY'88 and, consequently, an increase was requested to allow these two programs to expand their volunteer activities, particularly with at-risk youth and in drug abuse prevention activities.

QUESTION: **Will the requested appropriation for the Senior Companion Program in FY'89 support the same level of volunteer service years and grants as in FY'88?**

ANSWER: The funding level requested for the Senior Companion Program in the FY'89 budget will support the same level of VSYs in the program -- including the 20-30 new projects -- as supported in FY'88.

(Note.—The attachments are being retained in the committee files.)

CORPORATION FOR PUBLIC BROADCASTING

STATEMENTS OF:
HOWARD D. GUTIN, CHAIRMAN OF THE BOARD
DONALD E. LEDWIG, PRESIDENT

ACCOMPANIED BY FREDERICK DEMARCO, VICE PRESIDENT AND TREASURER

BUDGET REQUEST

Senator WEICKER. The next witnesses before the committee are Howard Gutin, Chairman of the Board; Donald Ledwig, President of the Corporation for Public Broadcasting [CPB].

Please proceed with your testimony.

Mr. GUTIN. Good morning, Mr. Chairman, or good afternoon. I would like to take this opportunity to thank you, Mr. Chairman, and the other members of the committee for your strong continued support for public broadcasting for the past 21 years. I welcome the opportunity to appear before you today to testify in support of CPB's request for an appropriation for general operations of $395 million for fiscal year 1991 and for an additional one-time appropriation of $200 million to replace our satellite interconnection system that will go dark in 1991.

Public broadcasting needs additional Federal support in 1991 to help our country meet the challenges facing America, including reducing the number of high school dropouts that are a disproportionate burden on our social support systems throughout their lives; reducing illiteracy among adults and illiteracy in the workplace where our ability to compete with foreign workers is being challenged; educating our fellow citizens about the dangers of drug and child abuse; and, finally, developing community, State, and national outreach programs to deal with social crises such as illiteracy, AIDS, and the need for affordable, quality child care.

To meet these challenges effectively takes time, qualified professionals, and money. More programming is needed that will reach new and underserved communities that will address more directly than we can now the needs of the country's growing minority communities. We need to invest more in the training and development of public broadcasting personnel who make it all happen.

One of the most successful projects developed by public broadcasting is the Public Television Outreach Alliance, which is funded by CPB. Outreach projects typically deal with pressing social issues by combining awareness raising television and radio programming with local task forces, discussion groups, hotlines, and printed material.

Tonight, public television airs the documentary "Who Cares for the Children?" which was designed in cooperation with the Public Television Outreach Alliance to educate the American public about providing quality, affordable child care.

Mr. Chairman, it is with this quality of programming and a high level of commitment to critical issues that public broadcasting stations have become an integral part of their communities.

With the financial support we have requested from the Federal Government, public broadcasting will continue to work with local communities to find solutions to major social and economic problems.

Essential to keeping the Nation's public broadcasting system viable and on the air is the satellite interconnection system that now delivers programs to public television and radio stations throughout the country. That system must be replaced in 1991.

In conclusion, Mr. Chairman and members of the committee, the challenges facing public broadcasting are significant, but so, too, are the rewards in improving the quality of life for all of our citizens. I thank you for your time and, most importantly, thank you for your support of public broadcasting.

Following Mr. Ledwig's summary, I shall be pleased to answer whatever questions you may have.

Senator WEICKER. Mr. Ledwig?

Mr. LEDWIG. Thank you, Mr. Chairman. I am accompanied by Frederick DeMarco, the new Vice President and Treasurer of the Corporation for Public Broadcasting.

The Corporation deeply appreciates the strong support that this committee has given public broadcasting through its appropriations. I believe that millions of Americans do, too. Today, as a result of your support, about three-fourths of all families with children under the age of 6 watch and learn from public television regularly. We also serve 20 million schoolchildren and 1 million college learners each year.

Each week more than 10 million people listen to public radio, and 100 million view public television. These audiences are growing even in today's highly competitive market.

It is, therefore, a privilege to appear before you on behalf of public broadcasting to support CPB's request for an appropriation for general systems support of $395 million for fiscal year 1991 and a one-time appropriation of $200 million to replace our satellite, which expires in 1991.

I am also here to state my opposition to the administration's proposal to reappropriate CPB funds in fiscal years 1989 and 1990 and to thus freeze Federal support at its current level of $214 million.

I urge this committee to reject these reappropriations and freeze proposals in their entirety because they would seriously weaken public broadcasting. Further, they would break with the funding stability principle implicit in CPB's advanced funding authorized by Congress in 1978.

Stations throughout the system have operating and program production budgets in place for fiscal year 1989 that are based on the assumption that the $228 million appropriated for that year will be delivered and that the $232.6 million appropriated for fiscal year 1990 will follow in accordance with the law.

In addition, Mr. Chairman, the administration's request ignores our need to replace the satellite interconnection system that distributes programs for public television and public radio. Congress, through funds appropriated to CPB, funded nearly 85 percent of the cost of creating that system. That has now been in place for 11 years.

Mr. Chairman, I believe the record shows that Federal support for public broadcasting consistently pays dividends to this country far in excess of the cost of the Federal funds appropriated. Currently, high-quality public broadcasting programming is brought into the homes of millions of Americans for only pennies a week. This is the most cost-effective way to distribute useful information yet devised by mankind.

In times of budget constraints, it is also one of the most cost-effective ways to spend Federal dollars. An AIDS education program on public television can be delivered for pennies and can preclude thousands of dollars in medical costs.

Preschool television reading programs can give children a head start for pennies compared to the thousands spent on remedial reading programs later on.

Yes, CPB is asking Congress for an increase in Federal support, but that increase would raise the Federal contribution to only 3 cents per week for each citizen, or $1.56 per year.

In Canada, the national government contributes $23 per person per year, and Great Britain, Germany, and Japan contribute similar amounts per person because they recognize the educational and cultural benefits to their societies.

In conclusion, Mr. Chairman and members of the committee, I would like to recall that historians traced the decline and fall of great civilizations to an earlier decline in their educational and cultural life. Public broadcasting works very hard to inform and educate our viewers and listeners, to enrich our cultural life and provide reliable information for our growing audiences who we serve as citizens, not just consumers.

We believe that this effort merits increased Federal support. I, therefore, join with Chairman Gutin in urging that the committee appropriate the full amount of our request.

Thank you, and I shall be pleased to respond to any questions you may have, sir.

PREPARED STATEMENTS

Senator WEICKER. Thank you both very much. We will place both your submitted statements in their entirety in the record at this point and then proceed to some questions.

[The statements follow:]

STATEMENT OF HOWARD D. GUTIN

Mr. Chairman, Members of the Committee .... My name is Howard D. Gutin. I am the Chairman of the Board of Directors for the Corporation for Public Broadcasting (CPB).

I would like to take this opportunity to thank you, Mr. Chairman and other members of the Committee, for your strong, continued support for public broadcasting for the past 21 years.

I welcome the opportunity to appear before you today to testify in support of CPB's request for an appropriation for general operations of $395 million for fiscal year 1991, and for an additional, one-time appropriation of $200 million to replace our satellite interconnection system that will go dark in 1991.

I would also like to state that I am personally opposed to the Administration's budget proposal to "reappropriate" portions of CPB's FY 1989 and 1990 appropriations that have been already enacted into law and to "freeze" federal support of public broadcasting at $214 million.

For eight years I was associated with Texas public television stations KLRN-TV, in San Antonio, and KLRU-TV, in Austin, as director of production, station manager, president, and general manager. I, therefore, have firsthand knowledge of public broadcasting and how critical federal support is to its well-being.

Increased federal funding is critical to the future development of public broadcasting. We need additional seed money to develop the quality and quantity of programming our stations require to meet the needs of our diverse and growing audiences, programming that will mirror the very real diversity of American society itself and, no doubt, your own diverse constituencies.

But, equally important, public broadcasting needs additional federal support in 1991 to help our country meet the challenges facing America including:

0 reducing the number of high school dropouts that are a disproportionate burden on our social support systems throughout their lives,

0 reducing the illiteracy rate among adults and illiteracy in the workplace, where our ability to compete with foreign workers is being challenged,

0 educating our fellow citizens about the dangers of drug and child abuse,

0 developing community, state and national outreach programs to deal with social crises such as illiteracy, AIDS, and the need for affordable, quality child care.

To meet these challenges effectively takes time, qualified professionals, and money. For example, we need to replace in-school science and other courses and, preschool and youth educational programming segments, some of which are over a decade old and seriously out-of-date for today's students. More programming is needed that will reach new and underserved communities and that will address, more directly than we can now, the needs of the country's growing minority communities. And we need to invest more in the training and development of public broadcasting personnel who make it all happen.

Public broadcasting, with federal support through CPB, serves special audiences that otherwise would not be served. They include:

- thousands of young children who have been provided educational programming, such as Square One TV, Up Close and Natural, 3-2-1 Contact, Reading Rainbow, and who have learned basic social and reading skills through Mister Rogers' Neighborhood and Sesame Street;

- the hearing impaired and visually impaired, through closed-captioned programming and radio reading service programming, supported by CPB;

- shut-ins, who are able to stay in touch with the outside world by viewing Frontline, American Playhouse, Great Performances, or by listening to Morning Edition, All Things Considered, and Weekend Edition on public radio;

- minorities, and all Americans, with programming such as Eyes On The Prize, and the Latin American News Service (LANS) and the development of the Minority Resource Center project to ensure that minority controlled public radio stations have the capacity to plan and develop additional programs for national distribution.

One of the most successful projects developed by public broadcasting is the Public Television Outreach Alliance, which is funded by CPB. Outreach projects typically deal with pressing social issues by combining awareness-raising television and radio programming with local task forces, discussion groups, hotlines, and printed material. These programs are customarily followed by local events, such as a face-to-face "town meeting," with experts from local, state, and national organizations that, as partners in the outreach project, have stakes in resolving the problem.

One such outreach program was The Chemical People, a television program created in 1984 to generate action on the problems of drug and alcohol addiction, particulary among the young. Children At Risk, in 1985, was a yearlong outreach program series. Presented on NPR's Horizons, the project combined reports on child abuse with a major outreach campaign to combat it. Another example of outreach programming supported by CPB is PLUS -- Project Literacy U.S. Here the goal is to combat illiteracy among 23 million adults.

Most recently, the Outreach Alliance Program efforts have been to focus attention on the critical need for affordable, quality child care in America. Research shows only 11 percent of today's families fall into the traditional model of a breadwinning husband and homemaking mother. Almost 65 percent of mothers with school-age children now work outside the home. By 1990, nearly 80 percent of mothers with preschool-age children will be in the work force. This places more than 10 million children from infancy through age five -- in their most critical developmental years -- in child care situations.

Tonight, public television airs the documentary, "Who Cares For the Children?," which was designed in cooperation with the Public Television Outreach Alliance to educate the American public about providing quality, affordable child care. A number of nonbroadcast community outreach projects and activities are planned to complement the documentary. In addition, PBS stations and the National Association for the Education of Young Children (NAEYC) plan an array of original events in conjunction with NAEYC's "Week of the Young Child" (April 10-16, 1988). Public television programs -- Sesame Street, Mister Rogers' Neighborhood, and the Nightly Business Report -- have been designed to tie in with the child care theme during this week. Tony Brown's Journal moderates an in-studio public affairs forum on the child care issue, particularly as it relates to the black community in America. Also during "Week of the Young Child," NPR's magazine, Crossroads, will cover the child care issue.

Mr. Chairman, it is with this quality of programming, and a high level of commitment to critical issues, that public broadcasting stations have become an integral part of their communities. With the financial support we have requested from the federal government, public broadcasting will continue to work with local communities to find solutions to major social and economic problems.

Essential to keeping the nation's public broadcasting system viable and on the air is the satellite interconnection system that now delivers programs to public television and radio stations throughout the country. That system must be replaced in 1991. The one-time appropriation of $200 million CPB has requested will allow us to replace that satellite system with a new system so we can continue to provide Americans with programming that meets the highest technical standards. Also, in addition, a new system will enable public broadcasting to take advantage of high definition television, digital audio, and other technical advances.

Federal support of this major capital expense is crucial to keep long- and short-term costs at a minimum, thus assuring a system that is affordable to all stations. Direct federal support of the satellite system is the only way to assure that a system is put in place that is available to all of the public broadcasting community.

But the ability to distribute, expand, and enhance programs that educate, inform, and entertain, and the ability to reach new and developing audiences is also at risk if federal support is frozen through 1993 at current levels. A freeze would not only limit the reach of public broadcasting, it also would seriously weaken, in real-dollar terms, the foundation of alternative, informational, educational and cultural programming which, with the support of this Committee, CPB and the public broadcasting community have worked so hard to provide.

In conclusion, Mr. Chairman and Members of the Committee, the challenges facing public broadcasting are significant. But, so, too, are the rewards in improving the quality of life for all of our citizens. An appropriation of $395 million for FY 1991 for general support and $200 million for satellite replacement will allow public broadcasting to face those challenges with cost-effective programming and new programming initiatives that are unique and unavailable elsewhere to millions of Americans.

Thank you for your time, and most importantly, thank you for your support of public broadcasting.

Following Mr. Ledwig's summary, I shall be pleased to answer whatever questions you may have.

STATEMENT OF DONALD E. LEDWIG

Mr. Chairman, Members of the Committee .... My name is Donald E. Ledwig. I am the President and Chief Executive Officer of the Corporation for Public Broadcasting (CPB). I have served as President since July 2, 1987 and as an officer of the Corporation since November, 1984.

I deeply appreciate the strong support that this Committee has given to public broadcasting through its appropriations to the Corporation. I believe that millions of Americans do, too. Today, as a result of your support, about three-fourths of all families with children under the age of six watch and learn from public TV regularly. We also serve 20 million school children and 1 million college and adult learners each year. Each week more than 10 million people listen to public radio and 100 million view public television. And our audiences are growing, even in today's highly competitive marketplace.

Therefore, it is a privilege to appear before you on behalf of public broadcasting to support CPB's request for an appropriation for general system support of $395 million for Fiscal year 1991, and for CPB's one-time appropriation of $200 million to replace our satellite interconnection system in 1991. I am also here to state my opposition to the Administration's budget proposal to "reapproporiate" CPB funds in Fiscal Year 1989 and 1990, and to "freeze" federal support at $214 million for Fiscal Years 1991 and beyond.

The Administration has requested that Congress limit support for public broadcasting in Fiscal Year 1991 to $214 million. Further, Congress has been asked to reappropriate $32.6 million from CPB's FY 1989 and 1990 appropriations into 1991. In summary, this proposal would freeze federal support for public broadcasting at the FY 1988 funding level of $214 million, through FY 1991.

I urge Congress to reject this proposal in its entirety because it would weaken public broadcasting. Further, it would break with the funding stability principle implicit in CPB's advance funding authorized by Congress in 1978. Stations throughout the system have operating budgets in place for FY 1989 that are based on the assumption that the full $228 million appropriated for FY 1989 will be delivered to CPB and that the $232.6 million appropriation for FY 1990 will follow in accordance with the law. Undermining the flow of predictable, long range forward funding would jeopardize the funds public broadcasting uses to leverage nonfederal money, money that makes up over 80 percent of total public broadcasting revenues. The proposal would also back away from the agreement between Congress and public broadcasters that, in exchange for predictable and assured assistance from the federal government, public broadcasters would raise, from other sources, the vast majority of funds needed to fulfill their public mandate.

What would the proposal to "freeze," or place a ceiling on, federal support for public broadcasting mean in terms of programming? I believe it would jeopardize CPB's ability to:

0 improve the ability of public radio and television to produce and distribute American produced public broadcasting programs that address social, cultural, and educational issues of concern to America today,

0 exploit the promise of public television as a cost-effective educational resource in the classroom and at home for both children and adults, and

0 expand locally based, community focused, public radio so that it is available to as wide an audience as possible.

In addition, Mr. Chairman, the Administration's request ignores our need to replace the satellite interconnection system that distributes programs for public television and public radio. Public radio and television stations throughout the country are connected by a satellite-based interconnection and program distribution system that was purchased and constructed with federal support in the late 1970s. Congress, through funds appropriated to CPB, funded nearly 85 percent of the cost of creating this system that has now been in place 11 years.

This satellite based-interconnection system has provided public broadcasting with a low cost, dependable means of distributing programming. That system is at the end of its useful life and will go dark in 1991. The Administration's proposal for FY 1991 provides no funds whatsoever to replace this system.

The timely replacement of this satellite interconnection system with a system that keeps public broadcasting technically up-to-date is absolutely essential to the future of public broadcasting. Federal support of this major capital expense is equally essential to keep long- and short-term costs as low as possible so that the new system is affordable to all stations and other potential users.

I believe the record shows that federal support for public telecommunications has paid real annual dividends to this country far beyond the value of funds appropriated. Currently, high quality public broadcasting programming is brought into the homes of millions of Americans for only pennies a week per person. This is the most cost effective way to distribute useful information yet devised by mankind.

CPB would use its FY 1991 request for general system support to leverage critical, additional nonfederal contributions. These revenues would bring new programming to public television and radio, and would enable local communities to use low-cost public telecommunications to educate, inform, and entertain all Americans about our culture, critical social issues, and events of our time. The additional funds would allow us to:

0 expand the quality and quantity of distinctive American-produced cultural and educational programming for television, as well as cultural and informational radio programming, and reduce the need for reruns of existing programs,

0 educate and increase public awareness of the problems facing our children today, such as "latchkey kids" (children who are home alone); and the dangers of substance abuse, physical and mental abuse, and neglect;

0 develop and make available more programs that support community-based, social outreach efforts, such as the programs about workplace illiteracy and the shortage of affordable child care that Mr. Gutin spoke of earlier;

0 assure that community-based public radio is available to all Americans where and when technically feasible; and

0 expand the ability of all stations to produce programming that meets the needs of their specific communities.

CPB is asking Congress for an increase in general federal support for public broadcasting for FY 1991, but that increase would raise the federal contribution to only 3 cents per week for each of us or $1.56 per year. In Canada, the national government contributes $23 per person per year. Public broadcasting is exceptionally effective in translating federal support into programs that make a difference in the lives of all Americans. We are asking you for the resources we need to do more of what we do best.

American public broadcasting produces programming that multiplies the value of federal support many times over. With the federal funds we have requested, CPB can help public broadcasting make Americans more aware of our cultural heritage, of our youth and their problems, and the world around them. Experience has shown that ideas, talent, and energy abound in the public broadcasting community: we need funds to translate these resources into service for Americans.

In conclusion, Mr. Chairman and Members of the Committee, I would like to recall that historians trace the decline and fall of great civilizations to an earlier decline in their educational and cultural life. Public broadcasting works very hard to inform and educate its viewers and listeners, to enrich our cultural life, and provide reliable information for our growing audiences, who we serve as citizens, not just consumers.We believe that this effort merits federal support. I, therefore, join with Chairman Gutin in urging that the committee appropriate the full amount of our request.

Thank you. I shall be pleased to respond to any questions you may have.

NEW INITIATIVES

Senator WEICKER. Chairman Chiles and I have been strong supporters of your efforts in public service outreach programming. Your programs on the problems of illiteracy and drug abuse have done a great deal to raise the public conscience and bring together concerned citizens and community organizations around these issues.

What new initiatives are you working on in the area of outreach programming?

Mr. GUTIN. Senator, this Public Television Outreach Alliance was created in 1986 and funded for the first time in fiscal year 1987. The areas that I mentioned—literacy, AIDS, drug abuse, child care—are all issues that we recognize have to be approached.

The Corporation for Public Broadcasting is committed to more of this kind of programming. There are several projects in various stages. As I indicated in my remarks, this evening, airing here in Washington, there will be a public television program called "Who Cares for the Children?" which will focus on ways to protect our kids.

Project Literacy, which you have mentioned, which is a joint effort, I might add, with ABC, is also being carried by National Public Radio, and it will enter its third year with a new initiative directed in this particular case to young people. This campaign will be called Youth PLUS. It was announced at a press conference last week.

In the first 2 years, the PLUS campaign addressed the problem of adult literacy motivated by research showing that there are 20 million American adults who are functionally illiterate.

We are going to be getting into the entire AIDS question, which is certainly a growing subject of concern to all Americans. That is planned to air in the spring of 1989.

There are many, many issues that need to be addressed, for example, the question of teenage pregnancy. We will be getting into those very same issues.

Senator WEICKER. Senator Bumpers.

BUDGET INCREASE

Senator BUMPERS. Mr. Ledwig, there is one thing here in your statement of which I am not quite sure. At the bottom of page 5 you say, "CPB is asking Congress for an increase in general Federal support for 1991 that would raise the Federal contribution to only 3 cents per week for each of us, or $1.56 per year."

Now, is that the increase or is that the total amount?

Mr. LEDWIG. That would be the new total. The new total would be $1.56 per year.

Senator BUMPERS. For every man, woman, and child in America?

Mr. LEDWIG. Yes, sir.

Senator BUMPERS. You are saying that, by comparison, Canada spends $23 per year?

Mr. LEDWIG. That is correct.

Senator BUMPERS. Does Canada have commercial broadcasting like we have? Is it similar to ours?

Mr. LEDWIG. They have some commercial broadcasting, a different mix than we have.

Senator BUMPERS. Let me also ask you, Mr. Gutin, about this satellite. Is PBS going to go dark in 1991 unless we come up with $200 million?

Mr. GUTIN. Yes, sir; Westar IV, which is the satellite that we currently use, will run out of fuel in 1991. As you may be aware, the Public Broadcasting Service was the first television—I do not want to use the word system, but actually it is a system—that was interconnected by satellite. So we are going to lose that capability in 1991. That is what the engineering technical people tell us.

PROPOSED FISCAL YEAR 1989 AND 1990 RESCISSION

Senator BUMPERS. Who do you make your case to as Chairman of the Board? OMB?

Mr. GUTIN. Yes, sir; we work very closely, and Mr. Ledwig deals routinely with the Office of Management and Budget.

Senator BUMPERS. They are asking for another cut this year?

Mr. GUTIN. They are asking for a freeze.

Mr. LEDWIG. They are asking for cuts on already authorized and appropriated funds.

Senator BUMPERS. They are asking for a cut for 1989–90?

Mr. LEDWIG. That is correct.

Mr. GUTIN. Yes; they are.

Senator BUMPERS. In other words, this is a retroactive cut because we have already appropriated that money?

Mr. GUTIN. Exactly, Senator.

Senator BUMPERS. For example, in 1989, if we do not go along with the President—and I can tell you we sure are not going to go along with the President on that cut—that is $228 million that we have already appropriated. What is that minus $14 million? It looks like $214 million.

Mr. LEDWIG. That is the cut that is proposed. They are trying to roll everything back to $214 million from now on.

Senator BUMPERS. How much have we appropriated for 1989?

Mr. LEDWIG. $228 million.

Senator BUMPERS. OK, and they want to cut that back to $214 million.

My question is what was that figure in 1982 or 1983, in that vicinity?

Mr. DEMARCO. Senator, in 1982 it was $172 million, and in 1983 it was $137 million.

Senator BUMPERS. It has been going up every year since then?

Mr. LEDWIG. Yes; it has.

Senator BUMPERS. That going up every year has been over the objection of the administration, though, has it not, every time?

Mr. LEDWIG. It has in general been over the objection of the administration.

SATELLITE INTERCONNECTION SYSTEM

Senator BUMPERS. Now, what happens if we do not fund this satellite interconnection?

Mr. GUTIN. The satellite that is currently in place, Senator, as I indicated, will go dark. That means we will not have the capability through a system of uplinks and downlinks to get the signal to all of the public television and radio stations throughout the country as well as beyond, including Hawaii.

Senator BUMPERS. What will be the life expectancy of the new system?

Mr. LEDWIG. About 10 to 12 years.

Senator BUMPERS. 10 to 12 years?

Mr. LEDWIG. Yes.

Senator BUMPERS. Does the Board debate the advisability of starting into the use of commercials?

Mr. GUTIN. I know that the question of commercialization is a concern of the Chairman, and it bothers me a great deal. I think we have to recognize that it is a symptom. What you see on the television stations in your home State or in the Washington, DC, area, what we call underwriting, is a definite symptom of underfunding as well as the uncertainty of the funding that is in place.

As someone who was a general manager of two public television stations, my concern to keep that station on the air in essence forced me to go that route, Senator. I object to it. I do not like it, but when funding is uncertain, public broadcasters look to everything from that sort of thing to auctions and wine tastings and parties for Big Bird to stay alive and stay viable.

Senator HARKIN. Once you start carrying ads, you are no longer in public broadcasting.

Mr. GUTIN. I agree, sir. I agree; but, Senator, the difference is that PBS makes and puts in place guidelines for underwriting in order to ensure that consistent audio and video standards are applied to credits to reduce that appearance of what you see or refer to as clutter. They are responsible for doing that. They do have standards.

Again, the diversity of the system sometimes leads someone perhaps to exceed that. So PBS is attempting, and is doing a good job, I think, to clean up that clutter and to preclude that kind of thing.

The difference, of course, is that the breaks or the underwriting credits are at the beginning or the end of the programming. They do not break into the programming. I think that is the real difference between what you see with respect to commercials on commercial television.

Senator BUMPERS. I hope it will always be that way. I am not offended by that, but I would certainly be offended by 1-minute commercials all the way through a show on PBS.

Mr. GUTIN. Sir, I do not think that will ever happen. I hate to say never, but——

Senator BUMPERS. That is a long time.

Mr. GUTIN [continuing]. I do not think that will happen.

FUNDRAISING

Senator BUMPERS. Let me ask just one additional question. What percentage of the people in America contribute in these fundraising drives to their local stations?

I understand it is one of four here in Washington. Is that true?

Mr. LEDWIG. I think it is about 5 million. We have about 4.2 million members of public television.

Senator BUMPERS. Who have contributed at some point?

Mr. LEDWIG. I think it is about 1 in 10.

Mr. GUTIN. It is 1 in 9, Senator.

Senator BUMPERS. In Washington?

Mr. GUTIN. I am not sure of the Washington statistics. Nationwide it is about 1 in 9. We have a lot of viewers, but not everybody gives.

Senator BUMPERS. Do you know what the total amount of giving was last year? How much money was raised totally?

Mr. LEDWIG. About 22 percent of the system's funds.

Senator BUMPERS. Are you talking about $40 million plus?

Mr. LEDWIG. No; we are talking over $200 million.

Senator BUMPERS. I am sorry. $200 million raised?

Mr. LEDWIG. Yes, sir.

Senator BUMPERS. For example, in my State we get $800,000 from CPB, and we raise $1.5 million. We raise almost twice as much by solicitation than we get from the Corporation for Public Broadcasting.

Mr. GUTIN. That is correct.

Mr. LEDWIG. Overall, nationwide we earn four or five times what the Federal contribution is. This is the strength of the system, in that the Federal dollars are the first dollars and they provide a leveraging effect. We can go forward with basic funding for a program, and an underwriter will come and bring in other money, or we get grants to start a station and that brings in community support.

So the Federal dollars are the key because they leverage and multiply the dollars throughout the system.

Senator BUMPERS. I have no further questions, Mr. Chairman.

Senator WEICKER. Senator Harkin?

ADVERTISING

Senator HARKIN. Thank you, Mr. Chairman.

I do not mean to belabor the point any longer, but just to follow up on what Senator Bumpers is saying I will make a general statement first and then clarify it.

We do not watch much commercial television in my house. I have two young kids and object to many of the commercial ads and the frequency with which they are aired. If I have the opportunity, I will tape something and play it later so that I can speed through the commercials. Often, the programming itself is not very good.

Anyway, I am concerned. I do not necessarily always adhere to the theory of the foot in the door or the nose under the tent kind of thing, but it seems to me that you start putting the ads on maybe once an hour. Then, well, what the heck, then it is maybe once every half hour. Then we will have only a 15-minute break, and so on. That is why I am concerned.

Mr. LEDWIG. Senator Harkin, if I might respond to that, we do not have advertising on public broadcasting. We are prohibited by the FCC. We are a noncommercial operation, and we are precluded from and will not do advertising.

The underwriting credits are simply a way to give credit to those who support public broadcasting for what they are doing, and we limit it, as Chairman Gutin indicated, to very strict guidelines, guidelines which I might add constantly are tightened up.

Senator HARKIN. OK. I am mistaken a little bit. The debate that we have heard around here has to do with permitting public broadcasting to carry advertising. Part of that debate was about carrying underwriting credits, like you say, at the beginning and the end but not to mix it in with the programming. Program sponsors could have a block of time where they could advertise.

Mr. LEDWIG. I am opposed to advertising on public broadcasting.

STATE EDUCATIONAL SYSTEMS

Senator HARKIN. I just had a meeting with the director of Iowa Public Television, George Carpenter, who is standing at the back of the room, and one of our Board members who is here with him, Betty Jean Ferguson. We were talking about what Iowa is doing right now in terms of setting up a statewide educational telecommunications network, an interactive kind of a system.

I am very enthused about that. It builds on the star schools concept. Iowa is moving ahead in that area. We have a lot of small rural schools, small school communities where we can go out with educational programs from one central location and interact with several rural schools.

How widespread is this now throughout the United States? Are you really looking at this? Are you helpful? Are you interested in promoting this?

Mr. LEDWIG. We certainly are. We are looking for new initiatives in that area; and in the areas where we have State systems, as we do in Connecticut, Iowa, and Arkansas, there is a big impetus toward this in those areas because there is a tie-in with the State educational system. So it seems to be moving much more rapidly there, but we would like to see that sort of thing throughout the country.

Our roots are in education; that is where we are, and that is where we would like to use this increased Federal support, if appropriated, in the educational area to address the literacy and basic educational skill levels of the American people and the American worker, I might add, to assist us in our competitiveness in the world.

We support that thoroughly and completely and, again, I salute the State systems, particularly the three represented by the Senators here this afternoon, who have all worked very hard in that area.

Senator HARKIN. Well, Mr. Carpenter just happened to be here today. It was not because of this hearing. He just propitiously happened to be here at the same time.

Have you seen this Iowa proposal?

Mr. GUTIN. No; I have not seen that proposal. I have just recently come back from one of your close neighboring States, Nebraska. They have an awesome system, as does South Carolina. Their ability to reach out and serve the State as a totality is just amazing. They use it, and they use it very well.

The bottom line for the Hill, I would think, is they do it very cost effectively.

There are millions of people that we reach on a daily basis who are there. They know where their public television station is, Senator, and it works. We are going to be looking very closely at all of these proposals.

Senator HARKIN. I will send this information on Iowa's program with you. I just hope we can get some more funding for public broadcasting. I know there were some proposals a little while ago to get money in different ways for public broadcasting; but if, in fact, what you said is true, we spend only $1.56 per capita on public broadcasting. That is shameful.

Thank you very much.

Thank you, Mr. Chairman.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. There are further questions for response to the record from the members of the committee, Senator Chiles included.

Gentlemen, I thank you very much for your testimony.

I think that Senator Bumpers indicated quite clearly the direction that the committee is going to go, and it will not be with the administration budget. Thank you very much.

Mr. GUTIN. Thank you very much, Mr. Chairman.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

NEED FOR SATELLITE INTERCONNECTION REPLACEMENT

Question. You are requesting a one-time appropriation of $200 million to replace the satellite interconnection system that serves our public television and radio stations. It will be very difficult for us to provide such a large lump sum this year because of the strict budget constraints we will be under. Still, I have a number of questions on the importance of the satellite system and the need to replace it. What does the current satellite interconnection system consist of and how does it serve our public television and radio stations?

Answer. Uses and Components of the Satellite System. The current public television satellite interconnection system consists of four transponders owned by PBS on the Westar IV Satellite, receive-only ground terminals owned by individual public television stations, the Main Origination Terminal from which programs are transmitted, owned by PBS, and a number of uplink facilities owned by regional organizations and other entities. Those distributing programming over the public television system include PBS, regional public television networks, state public television networks, individual public television stations, other public television entities and independent program producers and distributors.

The public radio satellite system consists of one transponder on Westar IV owned by a trust on behalf of all participating public radio stations, the Main Origination Technical Center operated by NPR and owned by another station beneficial trust, 20 uplinks owned by individual public radio stations, and 289 downlinks also owned by public radio stations. NPR owns two transportable uplinks which are available for on-site transmission of events at remote locations throughout the country. Programs are distributed 24 hours a day, 7 days a week over as many as 22 high-quality audio channels. In 1987, the system linked together approximately 250 different suppliers with more than 300 public radio stations, transmitting more than 20,000 hours of public radio programming.

The satellite interconnection system is the principal means of distributing thousands of hours of excellent programming from around the country from which local stations select the programs most appropriate for the local community each station is licensed to serve. In this respect, the satellite system is not only an efficient distribution system, it also serves the goals laid out for public broadcasting by the Congress: to share excellent programming and to offer programming that reflects the diversity of the nation.

The satellite systems also:

- ensure reliable public broadcasting signals of high technical quality;
- allow broadcasts in stereo, with captioning and enhanced audio services for the blind;
- enable public broadcasting to serve new communities quickly and easily;
- provide opportunities to develop educational and other special services; and
- enable stations in Hawaii, Alaska, Puerto Rico and the Virgin Islands to have timely and equal access to public broadcasting's program offerings.

Question. Was the first satellite interconnection system financed with federal funds?

Answer. Yes. Eighty-four percent of the cost of the first system was funded with federal funds provided through CPB.

Question. What would happen if the federal government did not finance a replacement system? Would there be an adverse impact on our local stations and their programming?

Answer. If the federal government did not finance a replacement system, the stations would necessarily have to find other financing for a means of distributing programs. The cost of such a replacement system would drain resources from programming at a time when the American public wants more not less investment in public service programming. There would have to be a reduction in service, such as educational services, in order to scale services to the distribution system's capacity. The reduced levels of service might result in levels of support dropping for some stations, threatening the viability of continuing to serve those communities with public service programming.

Question. We fund the Corporation for Public Broadcasting two years in advance, so we are currently considering your budget for 1991. What is the time frame for the satellite replacement project? Will the funds be needed in 1991?

Answer. By mid-1991, Westar IV, the satellite on which public broadcasting's transponders are located, will run out of fuel and be retired. A commitment for a replacement system must be made in 1989, and it is anticipated that earnest money will be needed at that time.

Question. Is there any financial incentive in providing all of the funds up front? Will the project be more costly if the funds are provided over a number of years?

Answer. If Congress were to appropriate the full $200 million for public broadcasting's satellite replacement system in FY 1991 or sooner, public broadcasting would use the funds to obtain favorable contract terms that would minimize the overall cost of the system. The certainty of full federal support for replacement of public broadcasting's satellite system would enable the industry to more easily obtain any necessary bridge loans or other temporary financing during development of the new system. The certainty of full federal support also would enable the industry to negotiate the best possible contract terms, obtain favorable launch dates and put a new system in place with a minimum of risk of disruption of programming service to Americans. Finally, full federal financial support for a new system would spare the industry the heavy interest expenses of obtaining long-term commercial financing for a replacement system.

If federal support is substantially lower than necessary to cover capital costs of the new system, or if federal support is provided in an uncertain amount and spread over a number of years, CPB and public broadcasting stations would have to cut other programs and activities to make up the difference in funds. Also, the quality and technical capacity of the system would have to be reduced, and the industry would have to arrange for alternative commercial financing. These alternatives would lead directly to sharp increases in station costs, reduce the quality of services available with the replacement system, and drain limited operating capital from public broadcasting. Many marginal stations, especially those in rural areas, would be put at risk by such financial pressures.

Question. If we can only afford to provide a small amount of the funds this year, would it still make sense for us to try to provide some of the funds next year and the years after?

Answer. Yes. Public broadcasting simply does not have the resources to pay for the satellite replacement system.

Question. What is the expected useful life of the new satellite system and will it employ state of the art technology?

Answer. The planning process has not yet narrowed the options to a single one, so that the actual characteristics are not yet known. As the options are evaluated, however, public broadcasting will be looking for the most cost effective use of state of the art technologies to continue to provide the American public with service of the highest technical quality. Most of the new satellite options have an expected life of 10 to 12 years.

EFFECT OF THE PRESIDENT'S REQUEST

Question. I see that, once again, the President is requesting that we go back and cut funds that we have already appropriated for 1989 and 1990, and make those funds available in 1991. What is the status of the funds we have already appropriated?

Answer. The funds already appropriated are considered to reside in the Public Broadcasting Fund in the Treasury. On October 1 of each year, the Secretary is required to disburse to CPB the full amount appropriated for each fiscal year. Therefore, we expect to receive the full $228.0 million on October 1, 1988, and the full $232.6 million on October 1, 1989.

CPB has adopted its operating budget for FY 1989 based on the appropriated level of $228.0 million and has provided grant recipients and others with estimated funding levels for the coming year. That budget, developed after extensive consultation with representatives of public radio and television, is the foundation of the FY 1989 operating budgets of over 600 radio and television stations. Many of these budgets go into effect within 60 days (July 1, 1988).

Planning numbers for FY 1990 have already been distributed to the system as part of our ongoing effort to build awareness of the value of multiyear budget planning. CPB has developed a draft planning budget for FY 1990 based on budgeted commitments that are already in place.

In addition to these formal budget plans that commit federal appropriations consistent with the intent of advance funding, CPB has continued to pursue multiyear commitments for programming. Such commitments are essential to attracting and retaining other outside funding for key continuing series. We are in the process of establishing programming commitments for the 1990 television season that will use the FY 1990 appropriation already enacted.

Question. Have the local stations already incorporated these funding levels into their own planning and their budgets?

Answer. Yes. All stations have incorporated FY 1989 appropriations levels into their FY 1989 operating budgets, and many stations have begun development of their FY 1990 budgets based on anticipated Community Service Grants from CPB. Stations that produce programs have developed the production plans based on these funding levels also.

Question. What would be the effect on the local stations and their programming if we accepted the President's request and went back to cut the funds we have already appropriated?

Answer. Budgets already in place for FY 1989 would be severely disrupted, causing cash shortfalls at many stations. Planning underway for FY 1990 would have to be adjusted to reflect cuts in federal support. However, the most important impact would be the loss of assurance that federal funds, once appropriated, would be delivered. Individual stations throughout the system would have to become more conservative in their fiscal planning because of the uncertainty of secure future federal funding.

This latter problem would be felt most by producing stations. They depend on direct support from CPB as well as financial assistance from nonproducing stations to produce much of the programming on both public radio and television. Cuts in federal funding already appropriated would reverberate throughout the system and would directly reduce funding commitments for new programming and productions to be included in continuing series.

"COMMERCIALS" ON PUBLIC TELEVISION

Question. Mr. Gutin, I have spoken out before about the growth of commercials on public television. More and more, our public television stations are going to greater and greater lengths to recognize their corporate sponsors. Today, you can turn on a public television station and watch a shiny new car drive over the horizon while the announcer asks you whether you have driven a Ford lately. Are there any industrywide standards on the use of these promotional announcements?

Answer. Yes. There are both FCC regulations, which specify what is allowable in an enhanced underwriting credit on a noncommercial station's air, and voluntary guidelines published as an industry standard by PBS.

Question. Is there anything prohibiting our public television stations from running full length commercials?

Answer. Yes. The FCC limits the duration of underwriting credits and their frequency. The FCC also restricts the content of the credits, preventing any comments on the quality of an underwriter's product.

IRRESPONSIBLE BUDGET REQUEST

Question. You know that I am a great friend of public broadcasting and I am sure you know that the entire Appropriations Committee is living under a very tight ceiling this year that will allow a total of only $3.6 billion in new funds for all domestic discretionary spending. Do you realize that in asking for a $362 million increase, a 156 percent increase over last year's level, that you are asking us to devote more than 10 percent of all new domestic discretionary spending to the Corporation for Public Broadcasting?

Answer. We framed our request for FY 1991 around a level of funding we felt was needed to fulfill the mandate for public broadcasting envisioned in the Public Broadcasting Act. Public telecommunications is an incredibly cost-effective way for our country to discuss and deal with social and educational issues during a period of very real fiscal limits. We put this proposal together without any knowledge of the specific limits faced by Congress this fiscal year. We appreciate the problem faced by your committee and the Congress this budget year, but we felt that it was our responsibility to put our best case forward for your consideration during this budget cycle.

Question. Is this a responsible request?

Answer. In the absence of specific authorization levels enacted into law, we believe it is our responsibility to bring to Congress a request that represents the level of funds we feel are needed to accomplish the specific objectives set for CPB by Congress. Extraordinary effort was taken to develop a reasonable development plan for public broadcasting and to set the federal contribution at a responsible level of total system funding needs. We believe that our FY 1991 request accomplishes this goal.

PUBLIC SERVICE "OUTREACH" PROGRAMMING

Question. I have been a great supporter of your efforts in public service "outreach" programming. Your programs on the problems of drug abuse and illiteracy have done a great deal to raise the public conscience and bring together concerned citizens and community organizations around these issues. What new initiatives are you working on in the area of outreach programming?

Answer. There are several projects in various stages of development for the Public Television Outreach Alliance (PTOA). The current campaign by the Alliance focuses on child care and child abuse in America. As part of National Child Abuse Prevention Month, PBS aired Who Cares for the Children?, on April 13, that defined the urgent child care dilemma and showcased some of the most innovative and successful solutions around the country to providing quality child care. The national broadcast of Who Cares for the Children? was followed by telecasts by local stations of programs focusing on child care in cities around the country. Next, the American Express Company joined PTOA and local public television stations in sponsoring a nationwide business teleconference to brief executives on the critical need and the advantages of providing child care options for employees. PTOA also has provided a resource guide to enable individuals and groups to continue to generate awareness of the need for child care services and foster community involvement in the search for solutions.

Project Literacy U.S. (PLUS), the national television, radio, and outreach campaign, will enter its third year with a new initiative directed at young people. The campaign, called "Youth/PLUS," was announced at a press conference in Washington on April 5, 1988. In its first two years, the PLUS public service campaign addressed the problem of adult illiteracy, motivated by research showing that more than 20 million American adults are functionally illiterate. The new phase of the campaign, extending to June 1989, will broaden the focus to emphasize a theme of "literacy and youth."

Other future campaigns that will be initiated by the National Public Television Outreach Alliance will include a major effort on AIDS, a subject of growing concern to all Americans, that is planned for the spring of 1989.

Question. Since 1986, your level of federal funding has risen by more than $18 million and you have received increased funding from other sources. Yet, your allocation to outreach programming has remained level at $1 million a year since 1986. Why haven't you enhanced your contributions in this area?

Answer. CPB first funded the Public Television Outreach Alliance in FY 1987 with a $1 million commitment.

Also in 1987, the public television system initiated a $24 million Challenge Fund, designed to ensure that high-visibility, prime time series would be available to public television audiences on a continuing basis. This three-year (1987/88/89) Challenge Fund commitment represented $12 million in CPB dollars, to be matched equally by public television stations. As a result of public television's commitment to the Challenge Fund, CPB has not been able to significantly increase other important initiatives like the Outreach Alliance. However, anticipating growth in the CPB appropriation in the next several years, FY 1990 budget planning has earmarked an increase for the Public Television Outreach Alliance. In addition, specific productions which serve as the centerpiece of the outreach effort, have been awarded additional funding through CPB's Open Solicitation process, thus supplementing the annual $1 million commitment. Finally, CPB funds, which financed production of the national outreach programming, have been supplemented by local public television stations who have financed the local outreach activities which make this type of programming such a success. Local station support increases the system's overall support for outreach campaigns.

PRIVATE FUNDRAISING

Question. What can you tell us about private fundraising by our public stations over the last few years?

Answer. Beginning in 1985, private sources have exceeded Tax-based funding from federal, state and local sources for all public broadcasting. In 1986, the most recent year for which complete data are available, private sources totaled $569.5 million, up $10.8 million from the previous year. This had grown from $155.6 million 10 years earlier, in 1977, when it represented only 32 percent of total income.

Question. Has it grown faster than the rate of inflation?

Answer. In recent years it has grown only slightly faster than inflation. For instance, between 1985 and 1986, it grew at 2 percent. The CPI for Urban Wage Earners for the same period was 1.5 percent.

Question. Has it kept pace with the rise in costs with the broadcast industry?

Answer. No. The cost of programming within the broadcasting industry has increased faster than the general rate of inflation as more program services (independent stations and cable services) compete for only a modest increase in production.

FOREIGN-PRODUCED PROGRAMMING

Question. A recent debate concerns the charge that the Corporation for Public Broadcasting is biased toward acquiring foreign-produced programming to the detriment of domestically produced programming.

Given that the mandate of the 1978 Public Telecommunications Financing Act specifically requires the promotion of diverse, innovative programs from varied sources for public television, to what degree has this been achieved?

Answer. The Corporation for Public Broadcasting does not acquire foreign-produced programs. On certain occasions it finances producers who enter into coproduction agreements with foreign broadcasters on a quid pro quo basis.

The Corporation for Public Broadcasting has supported diversity and innovation in programming since its beginning, particularly since the inception of the Program Fund in 1980. The Program Fund has played an integral role in designing new approaches and program formats that meet system and audience needs, as well as encouraging the development of new talent in the industry. Independent and minority producers who had little access to federal funds for production of their work in the early years of public broadcasting now receive millions of dollars each year from CPB to produce programming that is increasingly being aired in prime time, often within the context of many of public television's premiere series.

Question. What percent of the Corporation for Public Broadcasting's Program Fund dollars is allocated for American-produced programs?

Answer. One hundred percent.

Question. What criteria are used, if any, in the overall programming selection process conducted by the Program Fund panelist? To what extent is the final selection influenced by the viewership?

Answer. Panels commissioned by CPB's Program Fund to review and recommend program proposals for funding evaluate all proposals on the basis of comparative merit. Proposals are measured against programming priorities set by the CPB Board of Directors and according to the needs of the public television system. The relevance of a subject for a national audience, its adaptability to the television medium and the credentials of the production team are the basic criteria applied to each project. Panelists judge proposals based on the illumination of the subject by the treatment, and also consider a project's adherence to accepted technical, ethical, artistic or journalistic standards. All of the above criteria are given equal weight in the panels' decisionmaking process. The influence of viewership is not a primary factor in the final selections.

Question. What is currently under discussion or consideration to address the allegation that domestic programming is being discriminated against in the public television program acquisition process which is supported by American tax dollars?

Answer. CPB is not familiar with such an allegation, nor does it expend funds to acquire programs. Program acquisition is done primarily at the local level by individual public television stations across the country.

Question. Can the Corporation for Public Broadcasting strike an appropriate balance between the kinds and number of programs produced by American and foreign producers, without adversely affecting viewership?

Answer. CPB does not support foreign-produced programming, nor does it commit its funds for foreign acquisitions. (A few high-profile acquisitions, which are almost entirely underwritten by corporate sponsors, are the primary vehicles for foreign production on public television.) However, foreign coproductions have begun to increase, primarily because of the escalating costs of producing high-quality programming. By supporting these international coproductions, CPB funds attract foreign dollars to make major new productions possible.

CPB has entered into coproduction arrangements on a number of projects within the last year that are also of interest abroad. Several series, currently in various stages of development, demonstrate this interest in public television fare: Columbus and the Age of Discovery, a coproduction with Spain; State of the World, which includes funding from Australia, India, Italy and Japan; The Universe Within, involving Sweden and Japan;

Timeline, a coproduction with India, Turkey and Spain; and Ramona and DeGrassi Junior High, both coproductions with Canada, are among them.

More and more of American public television is now being sold for viewing overseas, including The MacNeil/Lehrer NewsHour and Nightly Business Report. Public television is in the business of excellence and education, and if the American people and other nations can learn and benefit by the excellence found in these programs, then public television is truly providing a service as well as earning additional revenues that can be used for more domestic production for the American people.

QUESTIONS SUBMITTED BY SENATOR LOWELL P. WEICKER, JR.

PUBLIC RADIO AND MINORITY PARTICIPATION

Question. Mr. Ledwig, one of the goals expressed in CPB's budget justification is to "encourage greater development of minority participation in all aspects of public radio." How many public radio stations are operated by minorities?

Answer. CPB does not maintain records on the total number of noncommercial licenses issued to minority organizations. However, since the beginning of our Community Service and Radio Coverage Expansion Grant Programs, CPB has provided funds to thirty-two minority-controlled and operated radio stations. Also, under its Management Opportunity Project (MOP), CPB has provided additional funding to projects designed to enhance minority station management structure. Eleven of the thirty-two stations mentioned above received MOP grants. Further, MOP funding has been provided to an additional eight minority stations to stabilize management and/or assist in developing their capabilities to qualify for CSG's.

Question. How many of these are eligible to receive funding from CPB?

Answer. Any noncommercial minority-controlled station that meets CPB's operating criteria is eligible for CPB support. Currently, twenty-five minority-controlled and operated public radio stations are eligible to receive Community Service Grant funds from CPB. Minority-controlled stations and allied entities that are not CPB qualified are also eligible for, and receive, financial support from CPB in the form of management assistance (as indicated in the answer to Question 1,) and training grants. CPB funds training opportunities on a competitive basis for professional development of public broadcasters, who include personnel of minority-controlled stations (both qualified and nonqualified) and public telecommunications entities.

Question. How does this compare to the total number of CPB eligible public radio stations?

Answer. Eight percent of the CPB-qualified radio stations are minority-controlled and operated. As stated in answers to Questions 1 and 2 above, CPB's funding support to minority stations is not limited to those stations that are eligible to receive Community Service Grants. However, because CPB neither maintains figures on the total number of licenses issued to minority organizations nor requires applicants to identify whether or not they are minority-controlled (except for the MOP), a comparison cannot be made with regard to CPB's total support to public radio stations operated by minorities.

Question. What steps can be taken to increase minority participation and eligibility in public radio?

Answer. Of the many steps that could be taken, CPB has designed, developed, and implemented as many projects as its resources permit. CPB is committed to diversity in public broadcasting's work force, program service and station governance. Toward those objectives, CPB has funded several activities to increase minority participation and eligibility in public radio.

CPB recently published three handbooks as guides useful to increase minority participation in both public radio and television, they are: Internship and Volunteer Programs in Public Broadcasting, a resource particularly suitable to inform minorities of public broadcasting stations that offer internships and the opportunity to volunteer services from the public; The Affirmative Action/EEO Recruitment Kit, a guide to enhance station efforts to attract minorities for their work force; and, Maximizing Your Markets, a handbook to help stations reach further and expand the minority audiences in their signal areas. CPB operates a dual pronged activity entitled the Public Participation Project (PPP) in conjunction with the latter handbook. Through PPP outreach activities, CPB encourages nationally based minority organizations, groups, businesses, and influential individuals to support public broadcasting and to urge the participation of constituents at local levels. Simultaneously, CPB provides support to outreach efforts undertaken by public broadcasting stations specifically targeted towards minority organizations, groups, businesses and individuals at the local level.

As indicated in the answer to Question 2, CPB funds training opportunities on a competitive basis for professional development of all public broadcasters, with emphasis on the training needs of minorities. Minority professionals enhance the diversity of the public broadcasting work force, programming and station governance.

Regarding steps to increase minority public radio stations' eligibility for Community Service Grants, since FY 1981, CPB has had in place the Management Opportunity Project (MOP), designed specifically to assist minority-controlled licensees, or telecommunications entities to develop, stabilize, and/or strengthen the management structure of stations' operations. Of the nineteen stations that have received funding under the MOP, seven have successfully become CPB qualified.

The major deterrent to CPB qualification for many minority-controlled radio stations is the lack of adequate local funding due to the target audiences served by many of those stations. To further help address that concern for CPB-qualified minority radio stations, CPB has established and funded a three-year minority radio station capacity-building project. The project is designed to assist CPB-qualified minority stations and independent producers of minority programming to improve their abilities to compete successfully in the normal funding arenas for public radio.

The project will:

- provide each minority station with expert consultants to assist with goal setting and long-range planning;
- assist minority stations to implement fundraising and audience building activities;
- establish a minority program information and management referral clearinghouse for use by all stations and independent producers of minority programming; and
- establish a "program pilot" fund to assist minority stations and independent producers of minority programming with program concept development, production step ups, program marketing and program distribution.

The above-mentioned project will benefit non-CPB qualified minority stations by providing them with opportunities to collaborate in the fundraising and audience-building activities undertaken by CPB-qualified stations. They also will have access to the program information and management referral clearinghouse. Those activities could help some non-CPB qualified minority radio stations to attain the levels of technical and professional quality and local support needed to qualify for Community Service Grants.

PROGRAM QUALITY

Question. Mr. Ledwig, the Corporation's budget justification indicates that additional funds for public television would be directed toward "improving the quality and quantity of public television programming...." What are the improvement priorities of the Corporation for public television?

Answer. In order to serve the American public, the public television system must provide sufficient original and distinctive programming to permit local stations to offer a consistent and focused schedule of programming that is important to audiences and not available elsewhere. The Corporation is committed to funding programming that meets these needs and with a special emphasis on programming that addresses educational and social issues.

RAILROAD RETIREMENT BOARD

STATEMENT OF ROBERT A. GIELOW, CHAIRMAN

ACCOMPANIED BY:
WILLIAM J. DOYLE III, INSPECTOR GENERAL
C.J. CHAMBERLAIN, LABOR MEMBER
JOHN D. CRAWFORD, MANAGEMENT MEMBER
KENNETH P. BOEHNE, CHIEF EXECUTIVE OFFICER

INTRODUCTION OF ASSOCIATES

Senator WEICKER. I am going to call the next witnesses to the table and ask that Senator Bumpers or Senator Harkin, whoever is desirous, Chair the meeting.

Senator WEICKER. The next witnesses are Robert Gielow, Chairman, and William Doyle, Inspector General, of the Railroad Retirement Board. It is nice to have you gentlemen with us.

Senator BUMPERS [presiding]. Mr. Gielow, please proceed.

Mr. GIELOW. Mr. Chairman, I have with me today Mr. Chamberlain, the labor member of the Board; Mr. Crawford, the management member of the Board; and I would also like to introduce our new Chief Executive Officer, Ken Boehne, who has recently been appointed to that position. I would ask that they join me here at the table.

Senator BUMPERS. By all means.

Mr. GIELOW. I have submitted my written statement, which I would appreciate being added to the record, and I would like to make a brief summary of that statement before you. I believe Mr. Crawford and Mr. Chamberlain would also like to make a brief statement.

AUTOMATION EFFORTS

First, I would like to tell you about our efforts in automation of our claims operation. During the last year, we completed a very thorough assessment of the retirement claims processing system. This is the system that we were developing to maximize the automation of our claims payment process.

We looked, in terms of dollars, people, and time, at what it would take to complete this system. We also looked at our internal requirements, such as reducing claims backlogs, improving the quality, the additional work on our taxation system that is necessary, the implementation of new unemployment insurance registration, and program integrity procedures.

Externally, we anticipated the passage of major legislation in H.R. 2167 and also anticipate a request for support from the Railroad Retirement Reform Commission which will require a commitment of large resources from us.

All of these added up to our decision that we could not commit to the completion of the retirement claims processing system [RCPS]; therefore, we decided on a new approach, an approach that is incremental, flexible, and will give us a faster payback. It is not as comprehensive as the RCPS was meant to be, but we are already on the eve of our first results.

Additionally, a detailed plan will be completed by summer and will be the basis for requesting, perhaps, additional resources for automation as we go along.

FINANCIAL MANAGEMENT

In the area of financial management, we continue to implement new initiatives which have enhanced our financial reporting and systems capabilities.

For example, last year our cash management projects yielded almost $40 million in additional income for our trust funds. Later this year we will be purchasing off-the-shelf software for a program accounts receivable system that will greatly improve the management of our outstanding debts.

We have also begun referring bad debts to a collection agency.

STATUS OF TRUST FUNDS

The financial condition of the railroad retirement and unemployment systems is much better. The tier 2 tax increase was effective January 1, 1988, and we expect it to generate about $200 million in additional revenue annually.

The extension of income tax collections being deposited to the "Railroad retirement" account is expected to infuse another $388 million through fiscal year 1989.

While the unemployment fund still carries a debt of $750 million, it has a healthy cash balance and no new borrowing is anticipated. Pending unemployment legislation in H.R. 2167 will provide full repayment of the loan before the year 2000.

USE OF RESOURCES

Finally, I would like to tell you how we used the resources last year. We have had to struggle over the last year to accomplish a number of tasks over and above our mission with the resources available. Not only did we devote a lot of time to reviewing our automation efforts, but we also had to reduce certain benefit payments under the Gramm-Rudman sequestration, only to restore those reductions later and then additionally reduce other benefits.

We also continued to devote over 30 staff years to maintain our taxation system and to implement further changes brought on by tax reform legislation, all of which we have absorbed with our existing FTE allocation.

SERVICE TO BENEFICIARIES

All these legislative changes have also had an impact on the beneficiaries on our rolls. Between 1983 and 1987, we recorded an increase of over 55 percent in the number of times our beneficiaries called on our field services for assistance after they retired. So even though the number of retirees is declining, it has been more than offset by the increase in demand for service from people already on our rolls. Again, we have had to absorb all this within our existing FTE allocation.

We receive letters on individual cases from congressional offices on behalf of their constituents, which sometimes appall you as well as us in the handling of our claimants. We must turn our attention to the basic business of paying claims to avoid a further deterioration of service to our clientele.

Yet, we cannot afford to draw resources from our automation efforts to do so. Our highest priority is service to our retirees, and the attempt that we have made in our budget presentation today, is to maintain this service.

PREPARED STATEMENT

I would like to ask Mr. Chamberlain if he would like to make a few comments at this point.

[The statement follows:]

STATEMENT OF ROBERT A. GIELOW

Mr. Chairman and Members of the Committee, I would like to begin with some general information about the Railroad Retirement Board.

Programs Administered by the Railroad Retirement Board

The Railroad Retirement Board is an independent agency in the executive branch of the Federal Government. Our primary function is to administer retirement/survivor and unemployment/sickness insurance benefit programs for the nation's railroad workers and their families, under the Railroad Retirement and Railroad Unemployment Insurance Acts. In connection with the retirement program, the Board has administrative responsibilities under the Railroad Retirement Act for certain social security benefit payments and railroad workers' Medicare coverage.

During fiscal year 1987, the Board paid $6.5 billion in retirement and survivor benefits and $179 million in unemployment and sickness insurance benefits. At the end of the fiscal year, there were about 928,000 beneficiaries receiving railroad retirement and survivor benefits. During the benefit year that ended in June 1987, about 75,000 railroad workers received unemployment insurance benefits and about 45,000 received sickness insurance benefits. As of December 31, 1987, the Railroad Unemployment Insurance Account owed $750 million to the rail pension fund.

Sources of Revenue

The primary source of revenue for the retirement/survivor program is payroll taxes on railroad employers and employees. Other sources of revenue currently include a financial interchange with the social security trust funds, interest on investments, and general funds. For certain vested dual benefit payments, also known as windfalls, which will continue through the year 2025, the Congress appropriates funds from the general revenues of the Treasury. Railroad unemployment and sickness insurance benefits are funded by payroll taxes on railroad employers.

Structure of the Board

The Board is administered by three members appointed by the President, with the advice and consent of the Senate. One member is appointed upon recommendation of railroad employee organizations, and another is appointed upon recommendation of railroad employers. The third member, who is the Chairman, is, in effect, independent of employees and employers and represents the public interest. The terms of office are 5 years, and they are scheduled to expire in different years.

The President also appoints an independent statutory Inspector General for the Board to prevent and detect waste, fraud, and abuse in agency programs and operations. The Inspector General does not participate in the administration of the agency, but rather, is independent. He is responsible for keeping the Board Members and the Congress informed about problems and deficiencies in the agency's programs and operations, about the need for corrective action, and about progress of corrective action.

Recent Developments

The basic purpose of the Railroad Retirement Board is to provide accurate and timely payments to railroad workers, retirees, and members of their families who are covered by the programs we administer. One of our highest priorities continues to be to enhance this service by improving our automated systems and I would like to bring you up-to-date on these efforts.

In August 1984, we competitively awarded a contract for $15.6 million for defining the requirements, developing a logical design, and building an on-line retirement claims processing system. As we reached major systems life cycle decision points, we evaluated the progress of our efforts. We reassessed schedules, costs, and benefits. We also determined whether we should proceed, as we did when the requirements definition phase was completed.

As I reported to you at the budget hearings last year, we were then arriving at another major decision point -- whether to complete the logical design phase and begin the physical design phase leading to implementation of the system. At that time, our project team had reported that it would take considerably longer and cost significantly more to complete this project than originally estimated. We asked our Inspector General (IG) to assess the project, and provided his office approximately $200,000 to pay technical consultants for this purpose. While awaiting the results of the IG's review, we issued a stop work order, appointed a team of senior managers to evaluate project deliverables and plans, and sought the advice of our executives who had been associated with the project.

In their evaluations, no one said the project was infeasible. Nevertheless, we decided to adopt a new approach, which is designed to produce results in the short-term, because:

-- it would be several more years before the benefits of the original automation approach could be realized;

-- the costs to build the system under the original approach were forecasted to rise significantly; and,

-- changes, such as new legislation, could alter the requirements for this system before it could be completed, thus increasing the risk of additional cost increases. To implement such changes, we would have to assign top-notch staff to revise the processing system, making it difficult (although hard to quantify in terms of time and dollars) to meet project schedules and maintain service levels. This happened in 1986 when we had to implement legislation modifying the taxability of railroad retirement annuities. We assigned 75 staff members on a one-time basis to implement this legislation because of its tight statutory deadlines; now more than 30 staff members are permanently assigned to handle this tax work. Implementation of this legislation has resulted in additional annual revenues to the general fund of $40 million.

We have now adopted an incremental, multi-faceted approach to meet our retirement claims processing requirements. This new approach allows more flexibility in implementing changes without major disruptions and provides for a faster payback. It calls for an incremental approach to modernize existing systems rather than develop an entirely new database system. It also provides us with the opportunity to build on some of the logical design work already completed. Although we did not formally approve this approach until January 1988, we did approve certain fast track initiatives -- ones that produce results within 18 months -- in 1987. For example, three short-term automation projects were completed using in-house staff to input benefit suspension and termination information on-line, input change-of-address actions on-line, and automate non-receipt processing. Additionally, in August 1987, we contracted for the development of two separate computer software modules: an initial claims initiative (ICI), to be completed in August 1988, which will allow for on-line entry of retirement and Medicare applications, and employment data maintenance (EDM), to be completed in November 1988, which will establish a database of wage and account data needed for benefit eligibility decisions. Further, several other system projects are in progress which will expand the use of our data communications network with our field offices. A comprehensive plan, which identifies and sets priorities among additional initiatives under this new approach, should be available in draft by May 31, 1988.

We also continue to make progress in implementing financial management initiatives. Cash management projects yield about $40 million annually in additional income for our trust funds. We continue to enhance our financial reporting and systems capabilities.

Finally, we continue to work to improve the accuracy of our retirement payments based on recommendations by our quality assurance unit.

1989 Appropriations Requests

The Administration's appropriation requests are consistent with the Bipartisan Budget Agreement. The Board Members are requesting appropriations for administrative expenses for the railroad retirement/survivor benefit program and the unemployment/sickness insurance program. The Railroad Unemployment Insurance Act provides for permanent appropriation of funds for the administrative expenses of the railroad unemployment/sickness insurance system. We anticipate that an additional amount is needed to supplement the permanent appropriation.

The Board Members are also requesting appropriations for vested dual benefit payments and for reimbursement to the rail retirement trust funds and the Dual Benefits Payments Account for uncashed checks.

The Inspector General has prepared a separate justification for the administrative expenses of his office. The appropriation is referred to as the Limitation on Review Activity.

Summary of Estimated Administrative Expenses

For fiscal year 1989, the Administration estimates that $71.7 million will be needed for the administrative expenses for program operations. This is $171,000 more than the amount available for fiscal year 1988. The proposed level of 1,535 full-time equivalent employees (FTE's) for fiscal year 1989 is 22 less than the fiscal year 1988 level of 1,557 FTE's.

Limitation on Review Activity

The administrative expense estimates shown above do not include amounts for the operations of the Office of Inspector General. The Administration estimates that $5.2 million and 86 FTE's will be needed for audit and investigative activities.

Limitation on Administration

The Administration's request for administrative expenses for the retirement/survivor program is $58,012,000. This will support 1,188 FTE's and their associated expenses. An additional 43 FTE's are funded from this account by transfers from the Health Care Financing Administration to provide for administration of railroad workers' Medicare coverage.

Limitation on Railroad Unemployment Insurance Administration Fund

The Administration estimates that $13,678,000 and 304 FTE's will be needed in fiscal year 1989 for the administrative expenses of the unemployment/sickness insurance program which includes a $1 million appropriation transfer from the unemployment/sickness insurance trust fund. This appropriation transfer is being requested because the amount deposited in the administration fund through the permanent appropriation is expected to be insufficient for administrative expenses.

Dual Benefits Payments Account

The Administration requests an appropriation of $336.2 million for vested dual benefit payments for fiscal year 1989. This request would maintain individual benefits at the level set by the Congress in fiscal year 1988. The proposed appropriation language provides that $261 million of this amount will be derived from income taxes on Tier II railroad retirement benefits. The rationale for this provision is that these tax collections, like income taxes collected on all other private industry pensions, should be general fund resources. As such, they could be used to fund vested dual benefits. Enactment of this provision would prevent these funds from being diverted to the rail pension fund as a subsidy. In addition, under current law, $28 million will be derived from income taxes on vested dual benefits. The Administration also requests that $6 million of the vested dual benefit appropriation be set aside through appropriation language as a reserve. This is the amount that has lapsed in the account in recent fiscal years. Creating the reserve will provide a more accurate outlay estimate for vested dual benefits, thus allowing the Congress to more precisely target discretionary spending goals.

Federal Payments to the Railroad Retirement Accounts

The Railroad Retirement Solvency Act of 1983 amended the Railroad Retirement Act to provide for monthly transfers from the Treasury of amounts represented by benefit checks drawn 6 months earlier but not negotiated. Amounts for reimbursement of such uncashed checks must be provided in advance in appropriation acts. The 1989 budget request, $3.1 million, is based on an estimate of the amounts due for such uncashed checks. In addition, the Administration is proposing appropriation language to make an additional amount of $3.1 million, for the same purposes, available in fiscal year 1990.

Administration Proposals

On behalf of the Administration, I am presenting the President's fiscal year 1989 budget proposals.

Although not reflected in the fiscal year 1989 budget estimates, as a major policy initiative the President's budget calls for the privatization of rail industry pension and sickness insurance benefits. The Administration also proposes to extend coverage under the Federal/State unemployment insurance system to railroad workers.

The Administration believes that privatizing rail pensions would:

-- free rail labor and management to bargain collectively for new benefit levels and funding mechanisms without Federal intrusion.

-- extend social security coverage to rail workers and improve service to rail retirees.

-- require sound financing of pensions for new rail workers under ERISA, the Employee Retirement Income Security Act.

-- protect the accrued benefits of new rail workers under the Pension Benefit Guaranty Corporation.

-- eliminate the administrative costs of coordinating railroad retirement with social security.

-- end pension subsidies to the rail industry.

The Administration believes that merging rail unemployment insurance with the Federal/State system would:

- -- give rail workers higher unemployment insurance benefits in 48 States.
- -- provide workers with better access to non-rail industry job opportunities and training programs.

STATEMENT OF C.J. CHAMBERLAIN

Mr. CHAMBERLAIN. Thank you, Mr. Chairman. We are certainly again honored to have the opportunity to appear before this committee to answer the questions and any concerns you have relating to the appropriation request for the Retirement Board.

This committee has always been sensitive to the needs of the railroad community, and we certainly appreciate the past support for the reasonable levels of funding and staffing that have allowed our agency to continue to provide that service to our beneficiaries.

Last August the Board members submitted the Board's fiscal year 1989 budget request to Congress. We believe that our agency's request is a responsible package. Although it may not provide all the operational enhancement we would like to see, it does provide us with a sound basis for continuing a good record of service and allows us to look to the future needs of our agency.

We will continue to evaluate the personnel needs in our administrative structure to ensure that our resources are utilized as effectively as possible during the coming year.

However, it should be recognized, as Mr. Gielow has pointed out, that we have already made a substantial commitment in terms of our present personnel resources during the next few years. Any reduction in our agency's personnel ceiling at this time or implementation of other proposals which may significantly change the operation of the Board will have serious impact on the agency's ability to provide the services our constituents expect and support through the direct payment of their tax dollars.

As the member of the Board who represents the rail labor community, I find it disturbing that in addition to proposed reductions in the administrative funding needed by the Retirement Board to effectively administer the benefit programs entrusted to it, the administration's 1989 budget also proposes several amendments which would adversely affect the benefit programs themselves.

One of these proposals would serve to reduce monthly vested dual benefits otherwise payable under the Railroad Retirement Act. It would also shift most of the obligation to finance those benefit amounts from general revenue appropriations to the railroad retirement trust fund.

The administration's 1989 budget also resurrects a proposal first advanced in late 1981 and early 1982 to privatize the rail retirement system. Pursuant to this proposal, all railroad service performed after 1936 would be covered under the Social Security Act, and present and future retirees would, therefore, receive Social Security benefits in lieu of their present tier 1 railroad retirement annuities.

Any additional benefits, including vested dual benefits, would be paid under a private plan or plans, as would the sickness benefits now payable under the Railroad Unemployment Insurance Act.

The proposed legislation would completely dismantle a highly developed benefit program on which many people have placed reliance to provide for their financial security after retirement and replace it with a plan or plans to be established through collective bargaining. Security and certainty about the future would be replaced by insecurity and uncertainty. The reasonable expectations of people who have paid taxes to support a system to provide for their future would be disregarded and lost.

The advancement of such an ill-conceived scheme demonstrates a total disregard for the needs and expectations of former and present railroad workers and their families, and it certainly reflects, in my view, a result motivated solely by a desire to end Federal Government involvement in the rail retirement system regardless of the cost to persons who are covered by or rely upon that system.

Such a proposal was summarily rejected when it was first advanced in the early 1980's, and now that the Office of Management and Budget has taken an originally bad proposal and made it even worse, it must again be adamantly opposed and summarily rejected.

PREPARED STATEMENT

In the interest of time and with the committee's permission, I would like to submit my more detailed written observations regarding these proposals for the record.

As a labor member, I would like to again thank this committee for your past support, and I look forward to working with you during this coming year.

Mr. Crawford, the management member, I believe has some remarks that he would make.

[The statement follows:]

STATEMENT OF C.J. CHAMBERLAIN

In addition to proposed reductions in the administrative funding needed by the Railroad Retirement Board to effectively administer the benefit programs entrusted to it, the Administration's 1989 budget also proposes several amendments which would adversely affect the benefit programs themselves. One of these proposals would serve to reduce monthly vested dual benefits otherwise payable under the Railroad Retirement Act and would also shift most of the obligation to finance those benefit amounts from general revenue appropriations to the Railroad Retirement trust fund.

Payment of a benefit amount commonly referred to as a vested dual benefit, or less accurately as a "windfall" benefit, is provided by the Railroad Retirement Act, which also sets forth the formula for computing the benefit amount payable in a particular case. Vested dual benefits are not paid out of the regular Railroad Retirement trust fund but are, instead, paid from a separate account called the Dual Benefits Payments Account, which is funded by annual appropriations. Pursuant to law, each year the Railroad Retirement Board estimates the amount of the appropriation needed to fully fund the dual benefits payable during that year. If the appropriation is less than required, the Board must reduce dual benefits to a level which the amount appropriated will cover.

The Railroad Retirement Board has estimated that $355,000,000 will be needed to assure full funding of vested dual benefits in fiscal year 1989. As it has done virtually every year, however, the current Administration seeks to cut the dual benefit amount provided annuitants by statute. The Administration proposes that $336,185,000 be appropriated and that even this reduced amount be restricted so that effectively only $330,185,000 would be available for the payment of benefits. Enactment of this proposal would require about a 6 percent reduction in vested dual benefit amounts paid in fiscal year 1989. As the Congress recognized when it enacted legislation exempting dual benefit payments from sequestration under Gramm-Rudman, hardships are caused to annuitants when the benefits they depend upon for their livelihoods are reduced. I urge enactment of an appropriation sufficient to fund the full benefit amounts to which our annuitants are entitled.

The Administration has also renewed its efforts to require the Railroad Retirement trust fund to bear a portion of the costs of vested dual benefits. This year it does so by attempting to use revenues derived from taxing tier II Railroad Retirement benefits to pay dual benefits despite the fact that the Omnibus Budget Reconciliation Act of 1987 provided that those revenues are to be transferred to the Railroad Retirement trust fund.

The Railroad Retirement Solvency Act of 1983 provided that until October 1, 1988, revenues derived from taxing tier II Railroad Retirement benefits are to be transferred to the Railroad Retirement trust fund. In early December of last year, negotiators working on the legislation to implement the budget agreement between the President and the leadership of Congress decided to extend the transfer authority one year as a means of strengthening the financial condition of the trust fund. When the Office of Management and Budget became aware of that decision, the Director of that Office objected to the proposal and suggested that it would be contrary to the budget agreement. These objections were dropped, however, when it was pointed out that the legislation to implement the agreement could be jeopardized if attempts were made to eliminate disfavored provisions by misrepresenting them as violating the agreement. Now that the provision has become law, the Administration seeks to undermine the intent of Congress in enacting it by diverting the revenues to purposes other than the payment of benefits funded by the Railroad Retirement trust fund. And, in an attempt to gain support for its proposal, the Administration refers to the revenue transfer as an unwarranted Federal subsidy to the trust fund.

Characterizing the revenue transfers in question as a subsidy to the trust fund overlooks the fact that from the inception of their payment in the 1930's until 1984, Railroad Retirement benefits, like Social Security benefits, were not subject to taxation. In the 1983 legislation addressing the financial problems of the Railroad Retirement and Social Security systems, it was decided that Railroad Retirement and Social Security Benefits would be taxed and that the resulting revenues would be credited to the respective trust funds. As can be seen, the purpose of taxing these benefits was to strengthen the financial conditions of the trust funds, not to provide general revenues to the Treasury. Viewed in this light, it is more appropriate to consider the tax on retirees as a financing mechanism for the trust fund as are the employment taxes levied on active workers and employers.

In any event, the question whether the tax revenues being credited to the Railroad Retirement trust fund can be considered a "subsidy" under any reasonable use of that term is a secondary issue. As indicated previously, the real purpose of the Administration is to avoid, to the greatest extent possible, the Federal government's obligation to finance vested dual benefits.

Prior to the enactment of the Railroad Retirement Act of 1974, the payment of uncoordinated Social Security and Railroad Retirement benefits had cost the Railroad Retirement trust fund in excess of $4 billion. This cost impact was a major cause of the financial problems that faced the trust fund in the early 1970's. Since it was clear that the Railroad Retirement system could no longer bear the costs of uncoordinated dual benefits, the Railroad Retirement Act of 1974 provided such benefits would not accrue with respect to future employment. Nevertheless, it was believed that it would be inequitable to terminate dual benefits which had already vested, and it was agreed that the costs of those vested benefits should be funded from general revenues rather than the trust fund. The report of the then House Committee on Interstate and Foreign Commerce explains the decision to fund dual benefits from general revenues as follows:

> "The deficit in the Railroad Retirement system has occurred because of Congressional action (1) liberalizing benefit eligibility under the Social Security system and (2) repealing restrictions upon dual benefits contained in the Railroad Retirement Act. Following the precedent set with respect to military service free wage credits, the

committee proposes that appropriations be made to cover the costs of phasing out dual benefits which have been provided by Congressional action." H.R. Report No. 93-1345, at 4.5.

The Railroad Retirement trust fund could not afford the costs of vested dual benefits in 1974, and it cannot afford to reassume those costs now. To divert funds from the trust fund to the payment of those benefits, as the Administration proposes, would both violate the understanding created in 1974 and undermine the solvency of the trust fund.

The Administration's 1989 budget also resurrects a proposal first advanced in late 1981 and early 1982 to privatize the Railroad Retirement system. Pursuant to this proposal, all railroad service performed after 1936 would be covered under the Social Security Act, and present and future railroad retirees would, therefore, receive Social Security benefits in lieu of their present tier I Railroad Retirement annuities. Any additional benefits, including vested dual benefits, would be paid under a private plan or plans, as would the sickness benefits now payable under the Railroad Unemployment Insurance Act.

Since one of the bases often cited in support of a privatization proposal is that the historical reasons for the Federal government's relationship to the Railroad Retirement system have ceased to exist, any discussion of this proposal should begin with a brief review of the historical basis for the development of the system.

Prior to the establishment of the Railroad Retirement system, the vast majority of railroad employees were covered under the railroad's private pension plans. These originated around 1875 and covered about two-thirds of all railroad workers by 1908 and more than three-fourths by 1927. Despite the high percentage of railroad workers covered by these plans, the number of employees actually eligible to receive benefits constituted only a small percentage of the total because of stringent qualification requirements as to length of service, employment up to the date of retirement, and continuity of service. Thus, an analysis made of the records of 400,000 railroad employees during the period 1925 to 1928 indicated that only 17 percent of employees entering railroad service would ultimately qualify for a pension. Furthermore, even those who did qualify for a pension generally received an inadequate benefit. And, finally, with few exceptions the private plans were inadequately financed and could not withstand even temporary difficulties.

The depression of the early 1930's, which resulted in drastic reductions in pension benefits that had already been perceived as inadequate, led to the enactment of legislation creating the Railroad Retirement system as the first retirement system for nongovernmental workers to be administered by the Federal government. Since its establishment, the Retirement system has, for over 50 years, provided retirement security for railroad employees, their dependents, and their survivors on an industry-wide basis, with complete portability of retirement credits when an employee moves from one railroad to another and preservation of accrued credits when an individual leaves railroad employment at some time prior to retirement. Similar protection would not be available if the system were purely a private system because a purely private system would be much more susceptible to being undermined, either partially or entirely, by financial difficulties of particular railroad employers. Indeed the need for benefit protection when railroads experience financial difficulties was the prime reason for the system's initial creation, and it can hardly be argued, in view of the economic status of various railroad employers covered by the system, that such protection is not as vital today as it was in the 1930's.

The proposed legislation would completely dismantle a highly developed benefit program on which many people have placed reliance to provide for their financial security after retirement and replace it with a plan, or plans, to be established through collective bargaining. Security and certainty about the future would be replaced by insecurity and uncertainty. The reasonable expectations of people who have paid taxes to support a system to provide for their futures would be disregarded and lost.

One of the most serious problems which this proposal would create arises because it does not appear possible to assure that all employers and employees now covered under the Railroad Retirement system would also be covered under the proposed private plan or plans. Such a problem is rendered more acute by the fact that the current system covers employees who are not employed by railroads and are not represented by railway labor unions or, for that matter, by any collective bargaining representative whatever. Any attempt to mandate coverage under a private system fully coextensive with current coverage under the Federal program would certainly give rise to serious legal and constitutional questions and challenges, the very existence of which would render the scope of coverage uncertain for a number of years. The inevitable result would be that a certain percentage of persons now covered under the Railroad Retirement system would lose coverage when the system is dismantled. Not only would such a loss have an undesirable impact on the retirement benefit expectations of the affected persons, but it would also have an adverse impact on the financial condition of the private plan since there would then be a reduced base of employers and active employees to support the current beneficiary population, which would be taken over in its entirety. Moreover, it is inevitable that in the future the employment tax support protecting the current system would no longer exist to the same extent as is now present, thereby creating an additional risk to the financial security of the private plan.

In view of the factors discussed above, the Administration's privatization proposal is clearly undesirable even if one does not consider the decreased service and increased complexities which would be created both for those who are covered by the benefit programs as well as for those who administer them. Nevertheless, the Administration has decided to move ahead with its scheme, stating that privatization would free rail labor and management to collectively bargain a pension system without inappropriate Federal intrusion and that privatization would ensure sound financing of rail workers' pensions by extending ERISA rules to new railroad employees.

The first of these stated advantages actually contains two aspects, both of which are presented with an air of benign paternalism. It characterizes the opportunity to collectively bargain a pension plan, or plans, for railroad employees as being desirable even though neither the affected railroads nor the representatives of railroad employees wish to replace the current legislated plan with collective bargaining plans. In fact, an important role which the Railroad Retirement system has played over the years, and continues to play, is that of maintaining stability in railroad labor relations. Railroad employees have paid in the past and are paying today employment taxes at a higher rate than would have been true if their work had been covered under the Social Security Act knowing that they would, upon retirement, receive benefits that would provide relative financial security. Adoption of the proposal in question would undoubtedly create the possibility of increased job actions by making pension benefits subject to bargaining between the various unions and railroads.

The advancement of the suggestion that maintenance of the Railroad Retirement system is an inappropriate Federal function raises the basic question as to what constitutes an "inappropriate" Federal function and who is to make the decision that a particular function is "inappropriate." Consistent with the basic principle upon which government in this nation was established, and presumably also consistent with the philosophy and policies of the current Administration, decisions as to what functions or programs the Federal government should engage in or administer should be made by the people who pay for and are served by those programs rather than by government bureaucrats. Viewed in that light, the Federal government's establishment and continued administration of the Railroad Retirement system is clearly an appropriate Federal function. Through that system, the Federal government provides a service for the benefit of and at the request of the people who are both affected by it and pay its costs.

The second cited advantage of privatization, that it would ensure sound financing of rail workers' pensions, is even more objectionable and misleading. It gives the impression that railroad employees and retirees would, if the Administration's scheme were adopted, be afforded the protection of the Employee Retirement Income Security Act. Such an impression is clearly false, and I can only believe intentionally so. Under the latest version of the Administration's proposal only newly hired railroad employees would be covered by a pension plan subject to ERISA standards. The pension plan covering current employees and current beneficiaries would not even enjoy the inferior protection offered by ERISA. The Administration is proposing that all current beneficiaries and employees are to be placed under a private pay-as-you-go pension plan with a huge unfunded liability and absolutely no protection by or involvement of the Pension Benefit Guaranty Corporation or any other Federal entity if the plan becomes insolvent.

The advancement of such an ill-conceived scheme demonstrates a total disregard for the needs and expectations of former and present railroad workers and their families. It reflects a result motivated solely by a desire to end Federal government involvement in the Railroad Retirement system regardless of the cost to persons who are covered by and rely upon that system. Such a proposal was summarily rejected when it was first advanced in the early 1980's. Now that the Administration has taken an originally bad proposal and made it even worse, it must once again be adamantly opposed and summarily rejected.

STATEMENT OF JOHN D. CRAWFORD

Mr. CRAWFORD. Mr. Chairman, we welcome the opportunity to address this committee, which is very knowledgeable about the Railroad Retirement, Unemployment and Sickness Insurance Programs. These programs and the financing and income tax provisions applicable to them are extremely complex and difficult to administer.

Senator Bumpers, I seem to be noncompos vocis today. I have typed up my remarks, and I think, to save the committee some time, I will just read the conclusion.

Senator BUMPERS. We do not want you to draw your benefits here prematurely. [Laughter.]

Mr. CRAWFORD. In addition to the new administrative problems described by Chairman Gielow, we have backlogs in the maintenance of our basic programs. These backlogs are a significant problem which we are unable to process if we make a reduction in our FTE's.

The administration's budget calls for an FTE level of 1,535, which is 22 FTE's less than our current level and 65 less than the level we requested in our August budget submission.

At the reduced staff level proposed in the administration's budget, we would have serious problems in providing adequate service to our beneficiaries and managing our trust funds as well as addressing work backlogs and any new problems.

PREPARED STATEMENT

I would like to submit some additional comments for the record. Thank you for the opportunity to present my views.

[The statement follows:]

STATEMENT OF JOHN D. CRAWFORD

Mr. Chairman, we welcome the opportunity to address this committee, which is very knowledgeable about the railroad retirement and unemployment and sickness insurance programs. These programs, and the financing and income tax provisions applicable to them, are extremely complex and difficult to administer.

Chairman Gielow has referred to a few of the new administrative demands which have arisen in the last few years, such as automation of our claims payment systems, and maintenance of records necessary for proper reporting of taxable benefits. In addition, in the ordinary course of business, we constantly find problems which sorely need attention, but must be deferred because our scarce human resources are fully occupied by projects of equal or higher priority.

For example, we currently have a large backlog of retirement and survivor cases that rejected from automated adjustments for post-retirement earnings or cost-of-living increases. These cases involve overpayments or underpayments and must be handled by our experienced claims examiners. Last year, we devoted 8 FTE's to the backlog and reduced it by over 9,000 cases. We hope to devote 10 FTE's to the backlog this fiscal year, but a substantial backlog will still remain in fiscal year 1989.

Another demand on our resources occurred recently in conjunction with a study performed by our Bureau of Quality Assurance. They identified a high rate of error in awarding credit for military service during calendar years 1947 through 1950, resulting in erroneous payments estimated at $2.7 to $3 million. They recommended that the Board reexamine the records of 5,025 retirees to determine whether military service credit was properly awarded. To do this would require about 17 full-time employees. Our Bureau of Retirement Claims cannot at the present time spare these FTE's from other projects. Accordingly, we will go on for an indefinite period accumulating an additional $460,000 a year in erroneous payments because we do not have the staff resources to correct these cases promptly.

Another area in which our workload is increasing because of problems discovered in the administration of our basic benefit programs is the Computer Systems Audit. This ongoing review process turns up discrepancies in the computations of social security benefits which are paid by the RRB on behalf of SSA. As the result of recommendations in a GAO report issued on February 5, 1986, the Board has been spending almost 800 staff hours a month on approximately 500 new cases being referred to us for review each month by SSA; this equates to an annual commitment of about 5 FTE's. However, there is a backlog of about 157,000 records in which the CS Audit has found differences. About one-fourth of the cases we have processed involve money discrepancies in SSA payments to annuitants, averaging more than $700 a case. Many of these problems can be resolved by SSA, but a large number of records will have to be examined at the RRB to resolve the discrepancies. Our share of the work will not be known until a pilot study of 1,200 cases is completed, but this project will require many FTE's who will have to be diverted from the handling of claims or post-adjudication work.

We consider these backlogs to be very significant problems but we are unable to process the backlogged cases as expeditiously as we would like. The Administration's budget calls for an FTE level of 1,535 which is 22 FTE's less than our current level and 65 FTE's less than the level we requested in our August budget submission. At the reduced staff level proposed in the Administration's budget, we would have serious problems in providing adequate service to our beneficiaries and managing our trust funds, as well as addressing work backlogs and any new problems.

Thank you for the opportunity to present my views.

ADDITIONAL QUESTIONS

Senator BUMPERS. Thank you, Mr. Crawford. On behalf of Senator Chiles, we will be submitting questions to you for the record. I will not take the time to do it now, but I will turn the chairing of this hearing over to Senator Stevens of Alaska, who has just arrived.

Senator STEVENS [presiding]. There will similarly be questions for the record from Senator Weicker, I understand.

I hope you appreciate the problem that we have here today with the budget resolutions on the floor.

I have no further questions for you, and I urge you to respond to the questions that the chairman and ranking member are going to submit as soon as you can.

We want to thank you for making your appearance.

OFFICE OF INSPECTOR GENERAL

Mr. GIELOW. Our Inspector General is here, too, Mr. Chairman, and I think he has a statement.

Senator STEVENS. Mr. Doyle, did you have a statement?

Mr. DOYLE. Yes, sir; I did.

Senator STEVENS. I am sorry. I am getting clued in on the menu here. I would be pleased to hear your statement. Thank you, gentlemen.

STATEMENT OF WILLIAM J. DOYLE III

Mr. DOYLE. Mr. Chairman, I would like to thank you for the opportunity to appear here today. I would like to submit my testimony for the record and make a few brief comments on my testimony.

I strongly support the President's fiscal year 1989 budget of $5.2 million and 86 full-time equivalents in the Office of the Inspector General [OIG] of the Railroad Retirement Board. This is the second year in a row that the President has recommended a minimum of 86 FTE's for the OIG.

The Railroad Retirement Board has a significant responsibility in disbursing over $6.5 billion each year to over 1 million railroad workers and their families, people who have worked hard for their benefits.

From experience we have learned that the programs and funds are vulnerable to fraud, waste, and abuse. There are significant opportunities to improve economy and efficiency in the Railroad Retirement Board operations. Our budget is based on an in-depth analysis of Railroad Retirement Board programs, augmented by 2 years of experience in identifying operational inefficiencies and investigating fraud, waste, and abuse.

WORKLOAD

Our workload represents the highest dollar oversight of all statutory inspectors general with the exception of the Department of Health and Human Services [HHS] and the Department of Defense [DOD]. Our current oversight is $200 million per staff member. If the President's budget is approved, our oversight will be reduced to $78 million per staff member, which will still be higher than any statutory inspector general except HHS and DOD.

We have identified over 150 audits which we feel need to be performed. Many of these audits are recurring in nature. We presently have 532 ongoing criminal investigations valued at well over $5 million.

OFFICE OF INSPECTOR GENERAL ACCOMPLISHMENTS

The OIG has been very effective in its first 2 years of operation. Two of our more notable accomplishments were the recovery of over $160 million through an audit of the financial interchange program with the Social Security Administration, and our finding that the Board's major automation effort, the retirement claims processing system, would cost $25 million more than originally projected, would be 2 years late, and could not be guaranteed to succeed. Subsequent to our report, this committee eliminated $3.6 million in fiscal year 1988 funding for the project.

With respect to our investigative efforts, referrals to U.S. attorneys were up 322 percent, indictments were up 250 percent, convictions were up 900 percent, and fines, restitutions, and recoveries were up over 2,500 percent.

RESOURCE REQUEST

The President's budget for 86 FTE's will provide the minimum staff resources needed to establish a viable audit and investigative program within the Railroad Retirement Board.

Our focus is on the future, and our priorities include the timeliness and accuracy of benefit payments. We need to ensure that accurate and timely benefits are paid to all beneficiaries. Through our audits of the railroads, we want to ensure the accuracy and timeliness of their $4.3 billion in tax contributions. We also want to ensure the adequacy of internal controls in the Board's many ADP systems, and attest to the fairness of the RRB financial statement. Through our investigations, we want to improve methods for identifying fraud, waste, and abuse, and to continue to promote the use of the OIG fraud, waste, and abuse hotline.

We feel that the Railroad Retirement Board exists to pay timely and accurate benefits to railroad workers. The ultimate beneficiaries of effectively run programs are these same workers and their families. They deserve to be paid accurate benefits in a timely fashion. They also deserve to be protected against the loss of their trust funds through fraud and abuse. Stability of the trust funds will be the result of our high-quality audits.

I, therefore, ask the committee's support in accomplishing these goals for America's rail workers and their families. I have no doubt that the OIG, the Board members, and the staff at the RRB can accomplish these goals with the strong support of this committee.

I, therefore, ask your support for the $5.2 million request which we and OMB feel is a minimum to establish a viable audit and investigative program at the RRB.

PREPARED STATEMENT

Mr. Chairman, thank you. This concludes my opening remarks, and I will be glad to answer any questions you or any members of the committee may have.

[The statement follows:]

STATEMENT OF WILLIAM J. DOYLE III

My name is William J. Doyle III, Inspector General of the Railroad Retirement Board (RRB). I am here today to speak on behalf of my budget request for 1989. The total amount requested by the Administration is $5.2 million which will support a staff of 86. I strongly support the Administration's request.

The RRB administers a very complex and comprehensive series of interlocking benefit programs for the nation's railroad workers and their families. Under the Railroad Retirement Act, the RRB paid approximately $6.5 billion in retirement, survivor and disability benefits in FY 1987. The calculation of these benefits is based on a complex formula that combines social security, industrial pension and special federally-funded components. These benefits come from four trust funds that are funded by five sources of revenue. In addition, the RRB administers certain aspects of the Medicare program under the Social Security Act for the Health Care Financing Administration. Under the Railroad Unemployment Insurance Act, the RRB paid approximately $179 million to unemployed and sick railroad workers in FY 1987.

As I mentioned in my testimony last year before this Committee, the RRB OIG has the largest dollar oversight per staff member of any of the statutory Inspectors General except the Department of Health and Human Services (HHS) and the Department of Defense (DOD). It was $264,000,000 in FY 1987. In FY 1988, with our present staff of 35, it equates to about $200,000,000 per staff member. If this Committee approves the Administration's request of $5.2 million and a staff of 86, our dollar oversight responsibility will be about $78,000,000 per staff member. This is still the highest dollar oversight per staff member of the 19 member statutory IG community with the exception of HHS and DOD.

As Inspector General, it is my responsibility to provide independent and comprehensive audits of the organization, programs, activities and functions of the RRB. It is also my responsibility to perform criminal, civil and administrative investigations of those individuals and entities which may have engaged in fraud or otherwise violated laws and regulations designed to insure and protect the RRB programs which were put in place to benefit the railroad workers and their families. These congressionally-mandated oversight functions are carried out through two offices -- the Office of Audit (OA) and the Office of Investigations (OI).

Office of Audit:

Since the inception of the OIG in 1986, our major strategy has been to work closely with the Board members and program officials to improve overall RRB operations. While the hiring and training of new auditors has been a time consuming and difficult task, impressive audit results have been achieved. We have focused on (1) the timely and accurate delivery of benefits to railroad workers and their families and (2) greater economy and efficiency in RRB operations. Samples of the noteworthy accomplishments during the past two years are as follows:

o Recovered more than $160 million in lost interest and adjustments in the financial interchange with the Social Security Administration.

o Performed a management review of a major contract to develop the Retirement Claims Processing System (RCPS) for the RRB which had an initial contract price of about $15 million. As a result of our final report and an internal RRB report, a partial stop work order was issued on the contract and

Congress eliminated $3.6 million in FY 1988 funding for the RCPS pending a complete reevaluation of the project. While it cannot be proven conclusively, we believe that the systems development plan being followed at the time of our review would have failed. However, the failure would not have been obvious for perhaps another 2 years and after an additional $25 million in contract payments. Thus, as a result of our review, the RRB avoided at least $25 million in direct contract payments.

o Was designated by the President's Council on Integrity and Efficiency (PCIE) as the lead agency to perform a review of the fraud, waste and abuse hotlines throughout the Government.

o Assessed the RRB's computerized Work Management and Work Measurement systems. As a result, the RRB agreed to terminate the Work Management System and to enhance the Work Measurement System for improved planning, integrated work management and support for the full-time equivalent positions included in the RRB budget. We estimate that the RRB saved about $500,000 as a result of our recommendation.

o Reviewed the accounting for Social Security Equivalent Benefits (SSEB) and Vested Dual Benefits and found that (1) the method for estimating benefits charged to the SSEB account was not approved by the Board members and was inconsistently applied, (2) over $20 million in returned benefit payments were not credited to the SSEB account, and (3) adjustments of over $2 million were needed in the Dual Benefits Payments Accounts.

o Reported that (1) the annual reconciliation process between wage reports submitted to the RRB and tax returns submitted to the Internal Revenue Service (IRS) was 2 years behind schedule. From 1980 to 1982, an average of 23 percent of these reports were unreconciled for railroad retirement compensation and 18 percent were unreconciled for unemployment insurance compensation beyond the 3-year statute of limitation for making adjustments.

o Reviewed the financial management activities of the RRB. As a result, the Board established the position of Chief Financial Officer to better coordinate and manage the diverse and complex financial activities of the RRB.

While the above accomplishments are important, the focus of the OIG is on the future. What remains to be done is much more important than that which has already been accomplished.

To fulfill the goals of the Inspector General legislation, OA has developed an audit universe in accordance with OMB Circular A-73, Audit of Federal Operations and Programs. This universe, which is continually being updated, currently contains approximately 150 audits. Even with the additional auditors that are requested for FY 1989, it is expected that only about 20 percent of the universe can be completed in any 1 fiscal year. Also, the majority of the audits in the universe are recurring in nature; therefore, many that are performed in FY 1989 will have to be repeated in future years.

During FY 1989, we plan to concentrate our audit activities on the following four areas:

o Accuracy and Timeliness of Claims Processing

o Integrity of the Trust Funds

(1) Review of the Financial Interchange with SSA

(2) Review of Receipts, Investments and Disbursements by Treasury

(3) Review of the Accuracy and Timeliness of Tax Payments by Railroad Employers and Associated Issues

- Adequacy of Internal Controls in ADP Systems
- Audit of the RRB Financial Statements

Accuracy and Timeliness of Claims Processing. This is a very important area because it has to do with the primary mission of the RRB. The RRB pays $6.7 billion in retirement, unemployment and sickness benefits to more than 1 million railroad beneficiaries each year. Internal RRB reports have indicated a significant backlog in claims to be processed, as well as very long processing time goals. We want to review the claims processing activities of the RRB to determine (1) the magnitude of dollar and case error rates, (2) the causes of such errors, (3) the magnitude of backlogs, (4) the time required to process various types of claims, and (5) the causes for any delays in processing. All of this is to be done with a view toward identifying and recommending ways to improve the delivery of services to railroad workers and their families.

Integrity of the Trust Funds. This area contains the greatest opportunity to bring about significant revenue enhancements at the RRB. As previously mentioned, one of our audits resulted in the recovery of over $160 million in lost interest and adjustments through the financial interchange with the Social Security Administration. We will continue to perform audits of various aspects of the financial interchange until we are satisfied that it is well under control. Some of these audits will be made in cooperation with the Inspector General at the Department of Health and Human Services.

A second area of concern has to do with the collection, investment and disbursement of trust fund money by the Department of the Treasury. We are working with the Inspector General of the Treasury to develop audit projects to determine whether (1) the RRB is properly credited for all revenues received and (2) funds are invested and interest is credited in accordance with prescribed regulations. We have identified significant problems in the reconciliation of accounts between the RRB and the Treasury and we are actively working in cooperation with the Inspector General at the Treasury to improve communications and relationships between the two agencies.

A third area has to do with audits of the railroads. The RRB and the IRS share responsibility for the collection and recording of revenue from the railroads. The IRS collects the retirement taxes and the RRB collects the unemployment and sickness taxes. The RRB also receives annual wage reports from the railroads to be used in computing future individual benefits. The IRS provides copies of the retirement tax returns which the RRB attempts to reconcile with the annual wage reports. Historically, the IRS has performed what little auditing has taken place at the railroads. The RRB has not performed such audits. The railroads contribute about $4.3 billion, or about 54 percent of the $8.0 billion in total annual revenue of the RRB. Significant issues and dollars are at stake at the railroads:

(1) Accuracy and timeliness of tax contributions.
(2) Accuracy of the annual wage reports.
(3) Coverage of employees.

We are developing a plan to commence auditing the railroads in FY 1988 and plan to meet with the IRS to identify and resolve any issues that may result from these audits.

Internal Controls in ADP Systems. Three major activities are planned in FY 1989:

(1) Review of Systems Design and Development.

(2) Review of General and Applications Controls in Existing Systems.

(3) Review of the Implementation of OMB Circular A-123.

The RCPS is an example of a review of a system during the design and development phases. As previously described, our review of this system resulted in a partial stop work order and a potential savings of $25 million to the RRB. We plan to monitor and selectively review the activities of the RRB as it attempts to automate its various claims processing systems.

We plan to review the general controls over ADP processing and to selectively review the application controls as part of audits directed at major systems or when we plan to place significant reliance on data obtained from such systems. The purpose of such reviews is to (1) determine the reliance that can be place on data extracted from ADP systems, (2) identify any significant internal control weaknesses, and (3) recommend appropriate corrective action. We will give particular attention to those internal controls that are designed to detect and/or prevent fraud and abuse in the RRB programs.

Review of the Implementation of OMB Circular A-123. In this area, we will evaluate the management reviews of internal controls performed by the RRB in compliance with the Federal Manager's Financial Integrity Act, as implemented by OMB Circular A-123. We will also review implementation of OMB Circulars A-127 and A-130.

Annual Audit of the RRB Financial Statements. The RRB has issued unaudited financial statements for the FYs 1986 and 1987. We plan to solicit bids from CPA firms during FY 1988 to audit the financial statements during FY 1989. The Administration has requested $500,000 in FY 1989 for this audit.

In assessing our audit priorities, it is important to bear in mind that not all audits result in hard dollar savings to the trust funds. Many of the audits described above will result in improvements in the economy and efficiency of RRB operations. For example, the audits we plan to undertake of the timeliness and accuracy of claims processing will probably not result in high dollar savings. However, they should bring about a significant decrease in backlogs and improvements in the level of services that the railroad workers and their families have a right to expect from the RRB.

As our audit priorities and other audits included in the 150 project audit universe demonstrate, there is a substantial workload to be undertaken in the audit area. These are difficult and complex audits. By the end of FY 1988, we will have on board 32 of the requested 60 audit positions. This is the second year in a row that the Office of Management and Budget has determined that a staff of 60 in the Office of Audit is needed to implement a viable audit program at the RRB.

Developing a viable audit program requires considerable lead time. Due to the complexities of the RRB programs, the proficiency level required of the audit staff is significant. The longer we delay hiring the audit staff, the longer it will be before the required proficiency level is developed to undertake and complete the highly complex audits of the RRB programs. These audits are important to improving the integrity of the RRB programs for the benefit of the railroad workers and their families.

Office of Investigations:

The Office of Investigations (OI) focuses on identifying, investigating and presenting cases for prosecution concerning fraud in the benefit programs. OI also seeks to improve the economy and efficiency of operations by identifying weaknesses in internal controls that permit fraud, waste and abuse. We are continually seeking new and innovative ways to identify fraud, waste and abuse and to promote economy, efficiency and effectiveness in the RRB programs.

Fraud will be identified through conventional means -- allegations made by third parties and RRB program personnel -- and through sophisticated computer matching techniques. The Inspector General's hotline will be used to enhance the reporting of fraud and abuse. OI's highest priority for FY 1989 will continue to be the identification and investigation of fraud and abuse in the health care, retirement and disability programs.

Similar to the Office of Audit, the Office of Investigations has achieved very impressive results during the first two years of operation of the OIG. In comparing FY 1987 with FY 1986, referrals to United States Attorneys have increased by 322%. During the same period, indictments increased by 250%, convictions increased by 900%, and recoveries/fines and restitutions increased over 2500%. Some examples follow:

- In collaboration with the Department of Justice during the FY 1987 and the first 5 months of 1988, were credited with 36 indictments, 30 convictions and $826,000 in fines, restitutions and recoveries for fraud against the Government. In addition, we have referred 276 cases to U.S. Attorneys across the nation for prosecutive decision.

- Established a nationwide OIG hotline to receive allegations of fraud, waste and abuse primarily from RRB employees, railroad workers and their families.

- Established liaison with various U.S. Attorneys across the country and with the U.S. Secret Service, the Federal Bureau of Investigation, Conrail and Amtrak to enhance our investigative resources.

- Performed disability matches with the States of Pennsylvania and Tennessee. Thirty-four fraud cases were opened as a result of the Pennsylvania match.

In conclusion, substantial results have been achieved by the OIG since 1986 in both the audit and investigative area. With two years of experience behind us, we believe that our workload estimates and resource requirements are accurate. If we are to carry out the mandate of Congress to provide comprehensive oversight of the expenditures of the RRB, then additional resources are essential. OMB has for the second consecutive year recommended a FTE ceiling of 86 personnel and a budget for 1989 for $5.2 million. I strongly support the administrations request for the RRB's OIG and urge the members of this committee to favorably consider this same request.

Mr. Chairman, this concludes my formal remarks, I will now be glad to answer any questions that you and members of the committee may have. Thank you.

BUDGET JUSTIFICATION

Senator STEVENS. You have one of the rare birds, a 71-percent increase over last year in terms of this request?

Mr. DOYLE. Yes, sir.

Senator STEVENS. Is it basically an audit function on which you would spend that money?

Mr. DOYLE. The majority of the increase is all in audit, yes.

One of the issues here is that we, unlike other inspectors general when they became statutory, never had a core staff of auditors and investigators. For example, when the Department of Health and Human Services became a statutory inspector general, they had a core staff of 700 people. We never had that, so while our increases appear to be large, we never had anything that was reasonable to begin with. We feel that the 1989 budget, based on a very rigorous analysis of both investigative workloads and audit workloads, is a very reasonable number to do our job.

Senator STEVENS. Is it just going to reduce the workload per person?

Statistics mean a lot to a lot of people. You can have so many files per person or what not. The real question is what is the effectiveness of the operation.

How long have you been operating under the current system of audits?

Mr. DOYLE. I came to the Board in 1986 when the first statutory inspector general was set up. So we have been operating a little over 2 years.

Senator STEVENS. What type of function did the predecessor have? You said this was the first centralized inspector general function, so there must have been some kind of audit.

Mr. DOYLE. There was an Office of Audit and Investigation.

Senator STEVENS. Did you take that over?

Mr. DOYLE. Yes; at the time I took it over, there was an authorized strength of 25, and I think there were about 15 people on board when I started as the inspector general.

Senator STEVENS. How long had that existed?

Mr. DOYLE. That existed for a number of years. I am not quite sure how long.

INVESTIGATORY WORKLOAD

Senator STEVENS. When you talk about this percentage increase, you have a referral to U.S. attorneys, 322 percent. How many referrals were there?

Mr. DOYLE. In 1986 when I came there was one conviction, four indictments, 44 referrals to U.S. attorneys, and $2,500 collected in fines.

Senator STEVENS. Just for the information of the members of the committee, give us the statistics that back up those percentages. Referrals increased by 322 percent. What is that from A to B? During the same period, indictments increased by 250 percent. How many indictments does that mean? Convictions 900 percent, fines 2,500 percent; those are meaningless to me unless I know where we started.

Mr. DOYLE. Right.

Well, for example, our indictments in 1986 were four. We have gone up to 14 in fiscal year 1987 and 25 in the first 6 months of fiscal year 1988. So we have gone from 4 indictments to 39.

Senator STEVENS. Indictments of whom?

Mr. DOYLE. Indictments of people who have perpetrated fraud against the Government, such as cashing retirement checks to which they were not entitled.

Senator STEVENS. It is hard to realize that indictments went up 250 percent when convictions increased 900 percent.

Mr. DOYLE. Well, we went from 1 conviction to 43 since fiscal year 1986 through the first 6 months of fiscal year 1988. We had four indictments in 1986. We have had 39 indictments since fiscal year 1986 through the first 6 months of fiscal year 1988. Cases are going up substantially mainly because we have been working with U.S. attorneys to find out the kind of cases they will accept, and we are trying to send very clean cases to them. They have told us that we will probably have a very high indictment and conviction rate over the next few years because of the quality of the cases we are submitting to them.

Senator STEVENS. This increase of yours is going to be under attack in this committee, I am sure of that.

I am an old U.S. attorney. Tell me, what kind of fraud are you talking about? Who is committing this fraud? What kind of people.

Mr. DOYLE. Well, for example, we have people that have died, and no one should be collecting their retirement benefits. But a family member has been collecting these benefits for, say, 10 years. A retirement case like that can involve a substantial amount of money fraudulently obtained from the Government. A case like that can cost from $60,000 to $100,000 in stolen funds.

We are also talking about someone that has a total work disability who is holding another job and has been for the last 15 years. We had such a case recently in New Jersey where a U.S. attorney took the case and the grand jury indicted the person who had basically stolen $97,000.

Senator STEVENS. What are you doing about notice to people who receive benefits, saying if you had a change you should notify the Board? Do you do things like that?

Mr. DOYLE. Yes; they do. The program people do that, and we will also do it in a mailing that we will be sending out this spring in the paychecks of people.

The program people who run the retirement side and the unemployment side are very instructive and very active in letting people know what they should do in terms of reporting back to them.

AUDIT GOALS

Senator STEVENS. Did you make any estimate to OMB as to how much of a return there would be to the Treasury from increased enforcement of 71 percent? Is there such an estimate?

Mr. DOYLE. No; there is no such estimate. Some audits will bring back hard dollars. But there are other audits that you really cannot measure in terms of dollars. If you are improving the delivery of benefits or the accuracy of benefits being paid, you are making a system better. There are really no hard dollars saved there but there is an ultimate savings to the beneficiaries; that is, they are going to get a check quicker and it is going to be more accurate than they would have normally received.

In a lot of our audits that are planned, there will not be hard dollar savings, so it would be a very skewed number if we came up and said for every audit we did, *x* amount of dollars would be returned to the Government.

Senator STEVENS. But you are auditing people who are working for the Board to begin with, are you not?

Mr. DOYLE. No; we do not audit the people working for the Board as such. Our audits are really of the systems and procedures used by the Board to administer the $6.7 billion Railroad Retirement, Unemployment, and Sickness Programs. The investigations are of people receiving benefits. We have only three ongoing investigations of Board employees at the present time. Most of the investigations center on fraud committed by those receiving benefits of one kind or another.

We are doing a great deal of investigative work with the Department of Health and Human Services. They have a lot more resources and we feel that if we find an investigative case that has merit, we share it with the HHS inspector general. We find that if someone is cheating the Railroad Retirement Board they will probably be cheating with HHS also.

SUMMARY

Senator STEVENS. Well, you stick out like a sore thumb, as I said. The overall Board has decreased, and this one has increased. If you have any further justification you want to submit to the committee, I would advise you to do it because in this day of tight budgets that is a whopping increase in one section of an area that is being reduced.

Mr. DOYLE. We are well aware of that, Mr. Chairman. Again, I think we started from an unfortunate position where we never had an adequate resource base to begin with, so we started a little behind the eight ball, so to speak.

Senator STEVENS. I understand. It is not a lot of money, but an overall percentage increase is great. So I urge you, if you have any other comments you want to submit for the record, to do so.

[CLERK'S NOTE.—The information has been furnished to Senator Stevens.]

GENERAL COUNSEL APPOINTED

Mr. DOYLE. I would like to take just 1 minute to introduce our new general counsel, Gary Vanderhoof, who just recently came to us from the Bureau of Alcohol, Tobacco and Firearms. He is, I think, going to be of significant benefit in developing our relationships with the U.S. attorneys around the country.

At this time, I would like him to just step up.

Senator STEVENS. Nice to see you, sir. Thank you. We appreciate having you here.

I appreciate your testimony, Mr. Doyle. Thank you very much.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

We will submit the balance of the questions, which were referred to earlier, to you for your response.

Mr. DOYLE. Thank you.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

RAILROAD RETIREMENT BOARD

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

DUAL BENEFITS APPROPRIATION REQUEST

Question. The vested dual benefits account is the portion of the Railroad Retirement pension program that is funded by the Appropriations Committee from general revenue. About 292,000 retirees out of a total of 937,000 retirees receive this benefit.

The Administration is requesting $336.3 million for the dual benefits account. However, the Office of Management and Budget (OMB) is proposing to fund $261 million, or 78 percent, of this account from railroad income tax receipts, which, under current law, the Congress intends to be used for Tier II benefits (general Railroad Retirement benefits).

Mr. Gielow, can you tell us what the Administration is proposing to do with the dual benefits account?

Answer. The Administration's budget for fiscal year 1989 contains language to provide $336,185,000 for vested dual benefits in fiscal year 1989. Of this amount, $6,000,000 would be established as a reserve to be available only if the number of dual benefit recipients in fiscal year 1989 exceeds the number anticipated in the budget estimates. The amount proposed to be available, $330,185,000, is approximately $25,000,000 less than the $355,000,000 that the RRB's actuary estimates would be needed to fully fund vested dual benefits in fiscal year 1989. If the Administration's proposal were to be enacted, vested dual benefit payments in fiscal year 1989 would have to be reduced by approximately 7 percent.

The proposed appropriation language in the Administration's budget would require that the amounts appropriated be derived first from revenues attributable to income taxes imposed on vested dual benefits ($28 million) and the non-social security equivalent benefit portion of railroad retirement annuities ($261 million). Under current law, the income tax revenues derived from taxation of vested dual benefits are, beginning with fiscal year 1989, to be transferred and credited to the Dual Benefits Payments Account ($28 million). The income tax revenues ($261 million) derived from taxing the non-social security equivalent benefit portion of railroad retirement annuities (basically, tier II benefits) are, however, to be transferred and credited to the Railroad Retirement Account through the end of fiscal year 1989. Thus, the Administration's proposal would divert revenues earmarked for the Railroad Retirement Account to the Dual Benefits Payments Account, thereby indirectly funding a significant portion of the cost of vested dual benefits from the Railroad Retirement Account rather than from general revenues as originally contemplated by the Congress.

The appropriation language contains two other provisions. The first states, in effect, that no individual would receive a higher vested dual benefit in fiscal year 1989 than he or she received or would have received in September 1988. This would carry forward into fiscal year 1989 the 5.3 percent reduction in vested dual benefits in fiscal year 1988 required for budget reconciliation purposes. This would require a reduction in vested dual benefits even if sufficient funds were available to allow for payment of full vested dual benefit amounts.

The second provision would, as indicated earlier, establish a reserve of $6,000,000 to be available only if the number of vested dual benefit recipients exceeds budget estimates. Because this $6,000,000 is available only on a conditional basis, it cannot be included in the amount available for payment in computing the reduction that would be required in vested dual benefit payments.

The following table illustrates the major changes to the RRB's initial August 1987 request for full funding of this account.

RRB estimate of full funding	$355,000,000
Less: Reduction in fiscal year 1988 for reconciliation purposes carried forward.	-18,815,000
Administration's proposed appropriation limitation for 1989	$336,185,000
Less: The Administration's proposal would fund vested dual benefits, in part, from income taxes collected on the non-social security equivalent benefit portion of railroad retirement annuities, basically the tier II portion. (Not provided under current law.)	-261,000,000
	$ 75,185,000
Less: Income taxes on vested dual benefits as provided by current law.	-28,000,000
Appropriation from general funds	$ 47,185,000

ORIGINAL DUAL BENEFIT REQUEST

Question. What was the Board's original request to OMB to fully fund dual benefits?

Answer. We originally requested $355,000,000 to fully fund dual benefits in our August 1987 budget submission to OMB.

DUAL BENEFIT PROPOSAL

Question. Wouldn't the Congress have to change the law, if the Administration's proposal was accepted?

Answer. The RRB's General Counsel believes that the appropriations language in the Administration's fiscal year 1989 request would not be effective to make moneys otherwise creditable to the Railroad Retirement Account ($261 million) available for the payment of dual benefits. A definitive answer could probably be provided only by the Comptroller General. As a general matter, it is the RRB's understanding that there is no general requirement, either constitutional or statutory, that an appropriation act be preceded by a specific authorization act. However, it is also the RRB's understanding that the rules of each house of the Congress do contain some prohibitions regarding appropriations for expenditures not previously authorized by law.

The Railroad Retirement Act (RRA) contains no provision authorizing appropriations from the Railroad Retirement Account for dual benefit payments. Section 15(d) does provide that the Railroad Retirement Account may loan enough money to the Dual Benefits Payments Account to fund dual benefit payments for 1 month, but it also specifically provides that the amount of money outstanding to the Dual Benefits Payments Account from the Railroad Retirement Account may not exceed the amount needed to pay dual benefits for 1 month. Further, Section 15(a) of the RRA provides that the funds in the Railroad Retirement Account are available for the payment of certain benefits, but these benefits do not include dual benefits, which are payable only out of the Dual Benefits Payments Account.

Should the Congress desire to appropriate funds from the Railroad Retirement Account for the purpose of paying dual benefits, it would appear desirable, in order to avoid questions regarding the effectiveness of the appropriation, to enact separate legislation specifically authorizing such appropriations.

TIMELINESS OF BENEFIT PAYMENTS

Question. A large portion of your work involves processing applications for regular and supplemental annuities, as well as processing initial social security payments. I understand that processing these applications includes verifying employment records, and computing benefit payments and taxes.

I understand that only 44 percent of the initial retirement claims are paid within 90 days. That sounds like a very low percentage to me. What's the problem?

Answer. Although final payment of initial retirement claims is made within 90 days for only 44 percent of the cases, our processing time for interim (or partial) awards to retired employees is significantly higher. In fiscal year 1987, we issued partial awards for 49.4 percent of initial retirement claims within 30 days, 91.6 percent within 60 days, and 96.8 percent within 90 days. Our mean processing time for partial awards of initial age and service claims in fiscal year 1987 was 31 days.

Question. I know that Social Security processes their initial retirement claims within 19 days. Is there any reason why the Board can't match this performance record? Can't the Board make changes in its procedures to improve the processing of initial claims?

Answer. The Railroad Retirement Board (RRB) is currently involved in several initiatives to improve the processing of initial claims. Pre-award development of current-year creditable service will be eliminated for employee retirement and disability applications filed after May 1, 1988, unless required for eligibility. This initiative is expected to reduce time lapse by approximately 30 days.

Another initiative is to transmit initial retirement and Medicare applications on-line. Applications will be entered on the terminals in our district offices and will be electronically transmitted to headquarters. This initiative will substantially reduce claims transmittal time and, therefore, improve time lapse.

In addition, in the survivor claims area, notice of death will be entered on terminals in our field offices. This enhancement will allow development of survivor benefit cases to begin up to 2 weeks earlier.

While these initiatives will improve timeliness, there are some differences between our adjudicative processes and those of the Social Security Administration (SSA) that require additional processing time for the RRB. For example, the RRB needs to obtain SSA earnings for almost every new claim while SSA needs RRB earnings for a very small number of cases.

PENDING WORKLOAD

Question. On page 35 of the budget justification, the pending workload estimate increases by 2,000 cases, or 8.8 percent, from 22,718 cases in fiscal year 1988. In addition, the cases pending at the end of the year represent almost 22 percent of all cases for the year.

These numbers seem pretty high to me. What do you consider a good carry-forward standard?

Answer. We have established goals for timeliness of payment rather than for pending workload balances. Our timeliness goals are as follows.

Type of application	FY 1988 Goals - Percent of final awards within 90 days
Age and service	45.0
Spouse	45.0
Survivor - monthly	58.3
Survivor - lump-sum	62.9
Health insurance	80.0

We believe that an improvement in the timeliness of processing, which should result from our automation projects, should help reduce our pending workload balance. Our director of retirement claims will establish carry-forward standards during fiscal year 1988.

Question. What actions can the Board take to meet that standard?

Answer. We hope to reduce the pending claim balance through improvements in our claims processing activities, such as entering claims by terminal from our field offices and deferring verification of lag service (railroad service subsequent to the last employer report) until after final payment.

RETIREMENT CLAIMS PROCESSING SYSTEM

Question. There is no request for funding of the retirement claims processing system (RCPS) in fiscal year 1989. Last year, we were concerned about the schedule slippages, cost escalations from $17 million to $40 million, and the reductions in offsetting savings, associated with the new system. As a result, we included bill language that not more than $2,500,000 could be used for the new retirement claims processing system.

Briefly, what is the status of the retirement claims processing system?

Answer. The Board Members adopted a new approach to automating retirement claims processing. We are pursuing an incremental and multi-faceted approach which includes projects that should yield paybacks within 18 months.

Both developmental and planning activities are presently underway. Some projects have been completed. Two fast-track initiatives being developed by the original contractor should be completed in several months. A new automation plan will be completed in July 1988.

AUTOMATION INITIATIVES

Question. What alternative proposals have been accepted by the Board?

Answer. In August 1987, a majority of the three-member Board approved two fast-track initiatives which are currently underway. One, the Initial Claims Initiative (ICI), will allow field offices to enter retirement and Medicare applications on-line, via the data communications network. The other initiative, Employment Data Maintenance (EDM), will establish a database containing necessary wage and account information which is needed for determining eligibility and entitlement, and for calculating retirement and unemployment insurance benefit rates.

In addition to the two initiatives under contract, the Board Members approved, in January 1988, three short-term enhancements to existing systems. These are (1) automation of the retirement and survivor award letter generation process, (2) elimination of pre-award lag service (railroad service subsequent to the last employer report) development and implementation of a retroactive lag service mass adjustment program, and (3) enhancements to the Field - Address - Suspension - Termination (FAST) system, which allows on-line entry of information by our field and headquarters staff.

Question. When will these proposals be implemented?

Answer. The Initial Claims Initiative and Employment Data Maintenance projects are to be completed in August 1988 and November 1988, respectively. All of the short-term enhancements will be completed by August 1988 with the exception of the project to implement a lag service mass adjustment program, which was started recently and should be completed in September 1989.

Question. What are the estimated funding requirements for the automation initiatives? Are these estimates included in the Board's request?

Answer. The two fast-track initiatives currently underway, the Initial Claims Initiative and Employment Data Maintenance, were financed with 1987 funds in the amount of $819,036 and $2,237,067, respectively, or a total of $3,056,103. The three short-term projects are being conducted in-house. The 1989 request by the Administration includes $500,000 for contractual assistance to finance further automation initiatives that will be identified in our plan which is to be completed in July 1988.

FUNDING AND STAFFING - RETIREMENT/SURVIVOR BENEFIT PROGRAM

Question. The fiscal year 1989 budget proposes $58,012,000 and 1,231 full-time equivalent (FTE) positions for administering the retirement and survivor benefit program. This represents a freeze in funding from last year and a cut of 23 positions.

Where will the cuts in staffing take place?

Answer. The staffing cuts in the retirement and survivor benefit program would take place in the clerical, supervisory, claims examiner, training, and administrative areas.

Question. How will these cuts affect the Board's workload?

Answer. These cuts would have an adverse impact on our workload. A reduction in clerical, claims examiner, and supervisory staff would delay processing of retirement and survivor claims and result in additional backlogs. A reduction in training activities could prohibit or delay claims examiner training classes which would result in further processing delays in the future.

Question. What are adequate funding and staffing levels to effectively administer this program?

Answer. A funding level of $60,350,000 in administrative funds (including a statutory reserve of $200,000) and a staffing level of 1,290 FTE's is needed for the railroad retirement/survivor benefit program to maintain our present service levels and address the legislative changes, data processing workloads, newly created workloads, and retirement case backlogs.

FUNDING - UNEMPLOYMENT/SICKNESS INSURANCE PROGRAM

Question. The fiscal year 1989 budget requests $13,678,000 for the administration of the unemployment and sickness insurance benefit program. The request is essentially frozen at last year's appropriation.

What was the Board's request to the Office of Management and Budget (OMB)?

Answer. The RRB's August 1987 request was for $15,207,000 and 310 FTE's.

Question. Will the Administration's request require any program cuts?

Answer. We do not believe that a reduction in benefit payment activities will be necessary. Although this represents a reduction of approximately $1.5 million from the request that we submitted in August 1987, about $0.5 million is no longer needed due to substantially lower costs for the Federal Employees Retirement System than estimated. Other expenditures, such as for equipment, supplies, printing, systems furniture, and some building improvements, will have to be deferred. Further reductions are related to a cut of 6 FTE's from our original request for 310 FTE's.

ESTIMATED TAX RECEIPTS FROM VESTED DUAL BENEFITS

Question. Last year's Reconciliation Bill, Public Law 100-203, included a provision to credit receipts from income taxes on vested dual benefits to the Dual Benefits Payments Account in fiscal year 1989.

What has been the Board's experience in the past in the collection of these tax receipts?

Answer. The following table shows the original estimates, revised estimates, and actual amounts collected for the three types of income taxes on benefits since the inception of such taxing provisions.

REVENUES FROM INCOME TAXES ON RAILROAD RETIREMENT BENEFITS

	Fiscal year					
	1984	1985	1986	1987	1988	1989
	($ in millions)					
Tier I Benefits						
Initial estimate	50	75	86	86	62	56
Revised estimate	-	75	77	56	14	-
Actual revenues	25	77	70	-23 a/	-	-
Tier II Benefits						
Initial estimate	159	213	217	225	43	261
Revised estimate	-	208	214	201	259	-
Actual revenues	159	208	266 b/	112 a/	-	-

REVENUES FROM INCOME TAXES ON RAILROAD RETIREMENT BENEFITS

	Fiscal year					
	1984	1985	1986	1987	1988	1989
	($ in millions)					
Dual Benefits						
Initial estimate	42	54	52	51	41	28
Revised estimate	-	54	52	47	30	-
Actual revenues	42	54	51	1 a/	-	-

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a/ Reflects adjustments made by the Department of the Treasury for tax years 1984 and 1985.

b/ Amounts in excess of social security equivalent benefit treated as private pensions for Federal income tax purposes beginning in tax year 1986.

ACCURACY OF TAX REVENUE ESTIMATES

Question. Is the Administration's estimate of $28 million accurate, based on previous experience?

Answer. It is difficult to predict how accurate the $28 million estimate will be. In the past, actual revenues from income taxes on vested dual benefits have differed substantially from amounts estimated. Income taxes on benefits are estimated by the Department of the Treasury, using estimates of benefits to be paid provided by the Railroad Retirement Board (RRB). Each time the Internal Revenue Service closes out a tax year and provides actual data, the Department of the Treasury makes adjustments to current year receipts and estimates for future years. For example, it initially was estimated that $51 million in income taxes on vested dual benefits would be received in fiscal year 1987. After reflecting adjustments for actual calendar year 1984 and 1985 tax receipts, the RRB received only $1 million.

COST OF INSPECTOR GENERAL'S AUDIT

Question. We understand that the Inspector General will be conducting an audit of the Railroad Retirement Board's financial operations.

What level of effort, in manpower and funds, will the Board expend during the audit?

Answer. Because this will be the first audit of our financial statements and related internal controls, we believe that considerable effort will be required, particularly on the part of our bureau of fiscal operations. Substantial staff support may also be required from our bureaus of retirement claims, unemployment and sickness insurance, research and analysis, data processing, and supply and service.

We cannot make a specific estimate of the staffing and funds needed to support this audit because we cannot predict the extent and type of testing a CPA firm may consider warranted, but we expect that it will require several FTE's.

Question. Are these estimates included in the Board's request?

Answer. No. The costs and staffing for supporting this contractor audit of our financial statements are not included in our budget request.

AUTOMATION PROJECTS

Question. On page 14 of the budget justification, the Board requests $500,000 for "discrete" automation projects.

Please explain the nature of these projects.

Answer. In February 1988, the RRB formed a group to develop a long-range automation plan for retirement claims processing operations. The plan, which will prioritize automation opportunities over the next several years, is to be completed in July 1988. The discrete, incremental automation projects will be identified in the plan.

Question. Will these projects continue beyond fiscal year 1989?

Answer. Yes, the plan will include projects which will continue beyond 1989.

STATUS OF RAILROAD RETIREMENT TRUST FUND

Question. What is the current status of the railroad retirement trust fund?

Answer. In fiscal year 1987, the income to the fund exceeded outgo by over $600 million. Accumulated investments in Department of the Treasury securities were about $6.5 billion.

Recent legislation, the Omnibus Budget Reconciliation Act of 1987, improved railroad retirement financing by increasing tier II taxes and extending, through fiscal year 1989, transfers of revenues from income taxes on benefits.

Question. How far into the future do you estimate that the fund will remain solvent?

Answer. Our actuaries are currently preparing a report, due to be issued by July 1, 1988, which will provide that information.

The Railroad Retirement Solvency Act of 1983 requires the Railroad Retirement Board to submit an annual report to the Congress on the actuarial status of the railroad retirement system (the Section 502 report). The Section 502 report that is currently being prepared will consider the effect of recent legislation that improved railroad retirement financing by increasing tier II taxes and extending, through fiscal year 1989, the transfer of certain revenues related to income taxes on benefits.

STATUS OF REPAYMENT TO RAILROAD RETIREMENT ACCOUNT

Question. Several years ago, the railroad unemployment insurance account borrowed several million dollars from the retirement account.

How much money was originally borrowed?

Answer. The Railroad Unemployment Insurance Account borrowed the following amounts from the Railroad Retirement Account in each year during the period from fiscal year 1981 through fiscal year 1985.

Fiscal year	Net amount borrowed (thousands)
1981	$114,784
1982	171,400
1983	289,000
1984	96,000
1985	23,200
Total	$694,384

Question. What amount is currently owed to the retirement account?

Answer. As of March 31, 1988, the Railroad Unemployment Insurance Account owed the Railroad Retirement Account $545,302,812 in principal and $219,440,250 in interest, or a total of $764,743,062.

Question. How long will it take to pay off this debt?

Answer. By the time the temporary repayment tax expires on September 30, 1990, the loan balance will be reduced to approximately $650 million. After that, under current law, the debt will continue to increase indefinitely as interest continues to accrue. However, both railroad management and labor support enactment of H.R. 2167, the Railroad Unemployment Insurance and Retirement Improvement Act of 1987, which would extend the railroad unemployment repayment tax until the debt owed by the unemployment system to the retirement system is repaid.

BUILDING RENOVATIONS

Question. In last year's appropriation, funds were provided for building renovations and furniture, including lights, lowered ceilings, and modular furniture.

What is the progress of these improvements?

Answer. In fiscal year 1988, we have obligated $1.6 million to install new ceilings and lights in our headquarters building as originally planned. This work will be completed in conjunction with the installation of new fire sprinklers and a fire safety system which is being funded by the General Services Administration.

In fiscal year 1988, we also expect to install approximately 200 systems furniture workstations. Approximately 390 workstations have already been installed which were financed with fiscal year 1987 funds.

RETIREMENT CLAIMS PROCESSING SYSTEM COSTS

Question. Over the course of the development and planning of the retirement claims processing system (RCPS), how much funding was expended?

Answer. Through February 29, 1988, the RRB has expended $14,995,805 on the RCPS contract. An estimated $17.6 million will be expended by the time the contract is completed in November 1988.

Question. Are any of these costs recoverable?

Answer. Some costs may be recoverable based on audits performed by the Defense Contract Audit Agency and our Inspector General. In addition, from a benefit/cost standpoint, we expect to draw upon the design documents developed for the retirement claims processing system to develop enhancements to our existing systems.

The development of the retirement claims processing system was stopped after the design was completed. The design documentation can be used for development of smaller systems or to facilitate enhancements to our current systems. In fact, the design documents for the retirement claims processing system are being used to develop two new systems at this time.

Question. Will any of the RCPS systems development work be used to facilitate the incremental enhancement of automated systems?

Answer. Yes. The design of the retirement claims processing system is currently being used in developing two new systems. We expect to identify other incremental enhancements to our automated systems that will use the work completed during the design of the retirement claims processing system.

ADMINISTRATIVE EXPENSES/BENEFIT PAYMENTS

Question. Please include for the record the administrative expenses for issuing benefits, the amounts the Board will pay in combined benefits for Tier II benefits, Tier I excess, and unemployment benefits for the next 5 years.

Answer. The following table shows estimated administrative expenses and benefit payments under the Railroad Retirement (RR) and the Railroad Unemployment Insurance (RUI) Acts.

Administrative Expenses for Issuing Benefits and Benefit Payments
Fiscal Years 1989-93
($ Millions)

	Fiscal Year					5-Year Total
	1989	1990	1991	1992	1993	
Administrative expenses for issuing benefits[1]						
RUI Act	13.7	13.7	13.7	13.7	13.7	68.5
RR Act	58.0	58.0	58.0	58.0	58.0	290.0
Total	71.7	71.7	71.7	71.7	71.7	358.5
Benefit Payments						
RUI Act						
Unemployment benefits	111.0	103.0	97.0	86.0	81.0	478.0
Sickness benefits	40.0	42.0	39.0	37.0	35.0	193.0
Total	151.0	145.0	136.0	123.0	116.0	671.0
RR Act						
Social security equivalent benefits	4,067.8	4,202.2	4,345.6	4,467.9	4,549.4	21,632.9
Tier I excess benefits	616.7	631.1	638.2	648.0	663.6	3,197.6
Tier II benefits	1,815.3	1,914.3	2,019.7	2,117.3	2,193.1	10,059.7
Lump-sum and residual benefits	9.4	9.2	9.1	9.0	8.9	45.6
Supplemental benefits	111.8	109.0	106.4	102.7	99.1	529.0
Vested dual benefits[2]	355.0	340.0	328.0	315.0	304.0	1,642.0
Total	6,976.0	7,205.8	7,447.0	7,659.9	7,818.1	37,106.8
Total benefit payments	7,127.0	7,350.8	7,583.0	7,782.9	7,934.1	37,777.8

[1] Administrative expenses include amounts for paying claims, awarding benefits, maintaining the benefit rolls and other activities related to the administration of the railroad retirement/survivor and unemployment/sickness insurance benefit programs. The amount shown for fiscal year 1989, which includes a $479,000 reserve for unanticipated workloads, is the amount requested in the Administration's budget for fiscal year 1989. That amount is carried forward for the following fiscal years because detailed data on anticipated administrative expenses is not currently available; no revisions were made for inflation, salary cost-of-living adjustments or other increases.

[2] These benefits are financed by an annual general fund appropriation.

TAXES

Question. How much do you estimate will be collected for railroad unemployment tax, Tier II taxes, and dual benefits taxes for the next 5 years?

Answer. The following table shows estimated payroll and income tax revenues related to benefits under the Railroad Retirement (RR) and Railroad Unemployment Insurance (RUI) Acts.

Taxes for Fiscal Years 1989-93
($ Millions)

	Fiscal Year					5-Year Total
	1989	1990	1991	1992	1993	
RUI Act						
Unemployment insurance contributions for benefits......	164.8	154.4	145.5	138.3	131.8	734.8
Contributions for administration..	11.0	10.3	9.7	9.2	8.8	49.0
Total..........................	175.8	164.7	155.2	147.5	140.6	783.8
RR Act						
Tier I payroll taxes..............	1,553.6	1,526.5	1,501.9	1,478.8	1,454.5	7,515.3
Income tax on Tier I (SSEB) benefits..........................	56.0	63.0	68.0	73.0	77.0	337.0
Tier II payroll taxes.............	1,974.4	1,914.8	1,882.7	1,861.5	1,841.4	9,474.8
Income tax on Tier II and excess Tier I benefits[1]................	261.0	...	...	...	...	261.0
Repayment taxes...................	68.1	51.4	1.6	...	...	121.1
Supplemental taxes[2]................	161.7	159.3	156.9	152.9	148.9	779.7
Income tax on dual benefits[3]......	28.0	27.0	26.0	25.0	24.0	130.0
Total..........................	4,102.8	3,742.0	3,637.1	3,591.2	3,545.8	18,618.9
Total taxes...................	4,278.6	3,906.7	3,792.3	3,738.7	3,686.4	19,402.7

NOTE: Additional income is received from investments and transfers from other agencies, such as the financial interchange with the Social Security Administration.

[1] Revenues from income taxes on Tier II and excess Tier I benefits will be deposited in the general fund beginning in fiscal year 1990.

[2] Supplemental taxes are based on a cents per work-hour tax rate.

[3] Revenues from income taxes on dual benefits will be deposited in the Dual Benefits Payments Account beginning in fiscal year 1989.

QUESTIONS SUBMITTED BY SENATOR LOWELL P. WEICKER. JR.

DUAL BENEFITS

Question. The President's budget again proposes legislation to alter the funding of the dual benefits program. Should Congress not implement the proposal, what additional funding from the Federal Treasury would be necessary to fully fund the dual benefits program in fiscal year 1989?

Answer. Under current law, we would require approximately $280 million more from the Treasury than the Administration proposes in order to finance the $355 million required to fully fund vested dual benefits.

Question. What was the Board's original request to OMB to fully fund dual benefits?

Answer. In August 1987, the RRB estimated that $355 million would be required for full funding of vested dual benefits in fiscal year 1989.

Question. How would the legislative proposal affect the pensions of current tier II recipients?

Answer. In addition to the direct effect of reducing the dual benefit portion of the railroad retirement benefit checks of some 275,000 people by about $8 a month on average, the budget proposal for funding vested dual benefit payments might impact on the funding of benefits paid from the Railroad Retirement Account. Amounts appropriated are to be derived first from revenues attributable to income taxes imposed on vested dual benefits and the non-social security equivalent benefit portions of railroad retirement annuities. Under current law, the income tax revenues derived from taxing the non-social security equivalent benefit portion of railroad retirement annuities (basically, tier II benefits) are to be transferred and credited to the Railroad Retirement Account through the end of fiscal year 1989. The budget proposal would divert these revenues, estimated at $261 million, and earmarked for the Railroad Retirement Account to the Dual Benefits Payments Account; thereby negatively impacting the funding of the Railroad Retirement Account and indirectly funding a portion of the cost of vested dual benefits from the Railroad Retirement Account rather than from general revenues as originally contemplated by the Congress.

LIMITATION ON ADMINISTRATION

Question. The President's budget request proposes a reduction in FTE's for the administration of the retirement program by 23. Where will these reductions occur?

Answer. These reductions would take place in clerical, supervisory, claims examiner, training, and administrative areas.

Question. Why is it necessary to reduce FTE's?

Answer. In our August 1987 budget submission to the Office of Management and Budget, we requested additional staff for fiscal year 1989 to address backlogs, automate manual processes, and continue to enhance financial management. The Administration proposes to reduce our FTE ceiling from the 1988 level in order to reflect benefits the Administration believes should result from productivity improvements.

Question. How will this cut be absorbed?

Answer. This cut would be absorbed by consolidating duties as much as possible.

Question. What effect will this have on the Board's ability to process claims?

Answer. These cuts would have an immediate adverse impact on our ability to process claims. A reduction in staff would result in further backlogs and delays in retirement and survivor claims processing. A reduction in FTE's for training activities would require that claims examiner training classes be delayed or cancelled, which could result in further processing delays in the future, due to shortages of trained claims examiners.

Question. Does the Board estimate this cut will increase the cases pending at the close of fiscal year 1989 over those pending at the beginning of the fiscal year?

Answer. Yes. A reduction in FTE's would result in an increase in the number of claims pending at the end of fiscal year 1989.

PENDING CLAIMS

Question. Your justification documents indicate that the Board's estimated pending claims will increase by 2,000 over fiscal year 1988. What is the reason for this increase?

Answer. The estimated increase in the pending claims workload is related to the Administration's proposed reduction in our FTE ceiling.

4.26% REDUCTION FOR FISCAL YEAR 1988

Question. The House and Senate committees recommended a limitation on administration for fiscal year 1988 of $74.9 million. However, in order to comply with the budget summit agreement, a 4.26% across-the-board cut reduced the limitation $3.2 million. How will this cut impact the Board's activities in fiscal year 1988?

Answer. The reduction of approximately $3.2 million for reconciliation purposes was achieved by the RRB, in part, as a result of a lower estimate for costs of the Federal Employees Retirement System (FERS) which resulted in savings of $1.7 million. The original FERS estimate was based on OMB's assumption of a 40 percent conversion rate of Civil Service Retirement System (CSRS) employees to FERS while the Railroad Retirement Board's actual conversion rate was approximately 8 percent. We will also reduce expenditures for communications and other miscellaneous items.

Question. Will the Board be required to reduce the level of services below that of fiscal year 1987?

Answer. No. Because the excess FERS amount ($1.7 million) was available and we were not forced to reduce our FTE level below 1,557, we believe that our service levels should be comparable to 1987.

Question. How did this affect the Board's FTE levels?

Answer. Our FTE level remained the same, 1,557 FTE's.

ADMINISTRATIVE COSTS FOR FISCAL YEAR 1989

Question. The President's budget proposes to reduce items such as equipment, rent, communications, printing, and utilities by nearly a quarter of a million dollars. How will this cut be absorbed?

Answer. The bulk of the reductions mentioned are in equipment and printing which will require us to defer some purchases until 1990.

OFFICE OF INSPECTOR GENERAL

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Significant Audits/Budget Request

Question. Mr. Doyle, as Inspector General for the Railroad Retirement Board, you have audit and investigative oversight responsibilities for an agency that manages large and complex financial programs. As you stated in your opening remarks, the Railroad Retirement Board disbursed over $6.6 billion in benefit payments to over one million railroad beneficiaries in fiscal year 1987. Briefly, what significant audits has your office conducted in the last two years?

Answer. The following are our most significant audits conducted during the last two years:

- Survey of Unemployment Insurance Operations in the Field Service
- Review of the Accounting for Social Security Equivalent Benefits and Vested Dual Benefits
- Review of the Financial Interchange
- Review of the Retirement Claims Processing System Development Project
- Review of Uncollectible Accounts Receivable
- Assessment of the RRB's Work Management and Work Measurement Systems
- Review of Tax Contributions Under the Railroad Unemployment Insurance Act and the Annual Compensation Reconciliations
- Review of Management and Control of RRB Financial Operations
- Survey of the RRB Quality Assurance Function

Question. You are requesting an additional $2,988,000 for your office. Do you think that is a sufficient amount to carry out your audit and investigation workload?

Answer. We are requesting a minimum of $5.2 million and 86 FTEs to carry out the mandate of Congress to provide comprehensive oversight of the $6.7 billion railroad retirement system.

Our experience in investigating fraud in the RRB benefit programs indicates that there is a great deal of fraud that is going undetected and unpunished. We use computer matching techniques extensively to detect those who are cheating the RRB by secretly working while collecting benefits. However, we already have an investigatory workload of 532 cases valued at $5,000,000, but only 5 fully trained investigators to work them.

We have adopted a conservative approach towards expanding our computer matches while we hire and train new investigators. As these investigators come on board and become more productive, we expect our salary and travel costs to increase. We will then be able to expand our proactive investigatory efforts, which will increase our workload and resource requirements accordingly.

On the audit side, we believe that the 60 audit positions we are requesting are the minimum amount required to handle our audit workload. We have developed an audit universe of nearly 150 audits. Even with the additional auditors that we are requesting for FY 1989, it is expected that only about 20% of the universe can be completed in any one fiscal year. Also, the majority of the audits in the universe are recurring in nature; therefore many that are performed in FY 1989 will have to be repeated in future years.

Staffing Request

Question. The fiscal year 1989 budget request includes 86 full time equivalents (FTE) positions. This is an increase of 41 positions, or 91 percent, over last year's level of 45. How many staff are currently on board?

Answer. We had 37 employees in the Office of Inspector General, as of April 25, 1988.

Question. What has been your past experience in hiring staff for the Office of Inspector General? Is it a lengthy process?

Answer. The hiring of professional staff is a lengthy and time consuming process. This is particularly true on the audit side where supervisory talent is hard to find and our entry level auditor-trainee salary may not be competitive. However, in spite of these difficulties, we are making good progress. We have filled 8 audit positions during the last three months; we could not hire during the first quarter due to the funding restraints of the continuing resolution. We expect to have 55 positions, 32 in audit, filled by the end of the fiscal year.

The Railroad Retirement Board administers what is widely acknowledged to be a very complex program. Providing new employees with the training needed to oversee this program is also time consuming. We are therefore anxious to hire new personnel because the longer we wait, the longer it will be before we start obtaining results from them.

Question. Do you think it might be difficult to nearly double the staff, including hiring and training, in one year?

Answer. No. Assuming that we have 55 positions filled on September 30, 1988, we will not have to double our staff in FY 1989. We will have to fill only 31 positions, which is exactly the same number that we filled in FY 1988.

Investigation Hotline

Question. On page 9 of the budget justification, you indicate that a nationwide hotline has been established to receive allegations of fraud, waste, and abuse. How long has the hotline been in effect?

Answer. The hotline was established on July 15, 1987.

Question. What are the hours of operation?

Answer. The hotline is open during normal business hours; from 8:00 am to 4:30 pm; Monday through Friday.

Question. How many calls do you receive a month?

Answer. On average, we receive 38 calls a month.

Question. How many cases have been initiated as a result of a call received on the hotline?

Answer. We have opened 11 criminal investigations as a result of hotline allegations.

Question. How is a railroad employee informed about the hotline resource?

Answer. The Office of Inspector General has made a concerted effort to publicize the hotline. Hotline posters are prominently displayed at Regional and District offices, and on every floor of the RRB's headquarters building. In addition, hotline posters have been sent to many railroads. The hotline telephone numbers have been published in the newspaper, Rail Labor. The IG has prepared and sent out a special notice to all RRB employees announcing the opening of the hotline. Top OIG staff are making a continuing effort to promote the hotline in all of their speaking engagements.

The IG's hotline number, with an explanation of what to report, will be published in the RRB's Medicare Handbook to help in the detection of health care fraud. Hotline information will also be provided to all RRB annuitants by the RRB in a regularly scheduled mailing this Spring.

Claims Processing - Accuracy and Timeliness

Question. On page 12 of the budget justification, you indicate that the "... timeliness of disability claims processing is the focus of a major audit which is currently in progress." Briefly, can you, tell us what the preliminary findings are?

Answer. The current goal of RRB management is to "rate" 28 percent of all disability cases within 90 days. This does not mean that 28 percent of all applicants will receive checks within 90 days, only that the RRB will decide whether they are eligible to receive a check. We believe that this goal speaks for itself regarding the timeliness of disability claims processing.

Our preliminary review indicates that a significant amount of time is spent in processing disability claims. For example, according to Board records, only 3 percent of the approximately 2,300 claims filed during the first 6 months of FY 1988 were completed within 90 days from the filing date. Other Board records show that of the approximately 23,200 claims filed in 1982 to 1987, the average processing period was 6.6 months. The preliminary results of our audit of recently completed disability cases indicates that nearly 9 months are required to complete the average disability case.

Question. Have you made any recommendations to the Board?

Answer. No. We are still in the data gathering and analysis phase of our audit, and have not begun to formulate our recommendations.

Management officials have responded to our concern over unnecessary delays associated with the mailing of paper correspondence between disability adjudicators in headquarters, and medical evidence gatherers in the RRB's field offices throughout the country. The disability adjudicators have begun using an electronic mail system for requesting and tracing medical evidence. Early indications are that this is helping reduce processing times.

Oversight Responsibility

Question. How does the Office of Inspector General compare in oversight responsibility with the Social Security Administration, the Department of Labor, and the Office of Personnel Management?

Answer. The following table compares this office with the Inspectors General at the Office of Personnel Management (OPM-OIG), Department of Labor (DOL-OIG), and with the office having oversight of the Social Security Administration, the Department of Health and Human Services (HHS-OIG).

OVERSIGHT RESPONSIBILITY
(FY 1988)

Office	OIG FTEs	Agency Budget	$ Oversight per FTE
OPM-OIG (Non-statutory)	22	$32 billion	$1,455 million
DOL-OIG	530	$25 billion	$47 million
HHS-OIG	1,236	$360 billion	$291 million
RRB-OIG	45	$6.7 billion	$149 million

Audit Costs

Question. On page 7 of the budget justification, an increase of $618,000 is included for contract funds to be used for the initial audit of the Railroad Retirement Board. How much funding will be awarded to outside contractors for the initial audit of the Railroad Retirement Board?

Answer. The President's budget recommended that we spend $500,000 to contract with a CPA firm to perform the initial audit of the Railroad Retirement Board's financial statements.

Question. What percent of the final cost of the audit does that represent?

Answer. We estimate that this will represent 90 percent of our final cost.

Question. Why can't the Office of Inspector General perform these audit functions in-house?

Answer. This is a matter of audit priorities. We could do the audit ourselves, however important audits that could improve the delivery of vital services to our beneficiaries or that could increase the railroad retirement system's income would inevitably suffer. Furthermore, financial statement audits require specialized expertise that we lack because these types of audits have not been commonly performed in the Federal government.

Of all the types of audits for which we could contract out, the audit of financial statements seems the most logical. This is the type of work CPA firms commonly perform.

Review of ADP Systems

Question. In June 1987, the Inspector General issued a report on the Retirement Claims Processing System (RCPS). Subsequently, the Board performed several reviews and has substantially revised the automation plans. What role will your office play in developing automation plans for the Railroad Retirement Board?

Answer. We will furnish the Board with our advice upon request. We will also ensure that ADP systems have built into them an audit capability that will facilitate our ADP audits.

As you are aware, the Congress asked the Board to thoroughly reevaluate its approach for the automation of retirement claims before approving additional funding. A May 1987 study performed by Board staff recommended that the all-or-nothing approach to RCPS continue. This study and our June 1987 report both acknowledged that there were serious cost overruns, schedule slippage, and other uncertainties about the "all-or-nothing" approach to the project. The Board Members rejected the internal study and adopted our suggestion to bring the RCPS to a halt and abandon the all-or-nothing approach . The Automation Plan currently under development is due to be released by the Board as an interim product on May 31, 1988. The final plan is due by July 15, 1988.

Question. Will the Office work with the Board in developing these plans.

Answer. Yes. We have been fully responsive to all requests for our opinions on the Board's automation plans.

The Chief Executive Officer (CEO) has asked for OIG's participation in reviewing the current automation planning effort. To date we have informed the planning group about the issues which we believe should be addressed in formulating a comprehensive automation plan. We have also discussed various aspects of the planning effort with members of the group. We have reviewed developmental plans for a program accounts receivable system which needs to interface with the retirement claims system.

We expect that the CEO will provide us with copies of the interim and final automation plans to review once they are completed. In our review we will be looking for a plan that provides a final solution for the automation of retirement claims achievable through incremental steps. The plan's solution must not require another major all-or-nothing effort. Also to facilitate major long-lasting improvements in important areas such as post-adjudication, data currently residing on master tape files should be brought on-line in the very near future.

Once the plan is in place we will periodically assess progress on the ensuing developmental effort, determine whether RRB managers are held accountable during implementation of the plan, and follow-up on the implementation of recommendations and suggestions made in our management and cost reviews of the RCPS effort.

Travel Costs

Question. On page 6 of the budget justification, you indicate travel costs associated with auditor training. Would you elaborate on the cost and type of training for the Inspector General's auditors?

Answer. We are planning to provide two levels of auditor training -- basic training for entry level auditors and continuing professional education for more senior auditors.

Basic Training. Of the 28 audit positions we plan to fill in FY 1989, 10 are expected to be at the GS-7/9 entry level. Most of these junior auditors will be recent college graduates with little or no experience in auditing. They will be provided at least 120 hours of basic training in the audit of governmental programs and activities. Such training is very different in content from the auditing courses they received in college. Such training is also essential to their growth and development as government auditors.

Continuing Professional Education. The GAO is expected to finalize its current draft revision to the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions within the next few months. The current draft states that "... auditor's should have completed within the last two years at least

80 credit hours of continuing education and training that contributes directly to the auditor's professional proficiency to perform the audit." Since we are a new audit organization, we plan to provide an average of 80 credit hours of continuing education per year to our more senior staff members.

Much of the basic training and continuing professional education will not be available in the Chicago area. For example, we recently sent all of our entry level auditors to a course put on by the Office of Inspector General, Department of Health and Human Services, in Orlando, Florida. In so doing, we were able to participate in a course that was tailored toward our mutual needs and avoided any tuition costs; however, we did incur significant travel and subsistence costs. Similarly, the Department of Agriculture Interagency Training Center is working to enhance its program to meet the needs of the IG community, particularly the needs of the smaller OIGs that cannot afford to develop and maintain inhouse capabilities. Most of its courses will be held in Washington D.C.

We are a relatively small OIG organization located outside of the Washington, DC area. Consequently, we expect to incur significant tuition, travel and subsistence costs in meeting the basic training and continuing professional education needs of our audit staff. Altogether, we anticipate spending $160,000 in investigator and auditor training-related travel costs. This will amount to 36 percent of our FY 1989 travel budget.

Question. Will these travel costs become annual budget items?

Answer. Yes. Because of GAO's continuing professional education requirements and because we will continue to do some entry-level hiring, we expect that this will be an annual budget item -- but at reduced levels.

Disability Benefits

Question. How much discrepancy exists between the Railroad Retirement Board and Social Security Administration with respect to the awarding of disability benefits based on Social Security criteria.

Answer. Depending on the circumstances in a given case, the RRB awards disability benefits under three possible conditions: first, disability for employment in an individual's regular railroad occupation; second, disability for any regular employment; and third, disability for any gainful employment. Occupational disabilities are awarded based on criteria that the RRB is required by law to prescribe. The other two conditions of disability are determined according to SSA's regulations.

Under certain circumstances, both SSA and RRB disability personnel will evaluate the same individual for disability. It has been our experience that such cases demonstrate a high degree of agreement between the two agencies.

Unemployment Claims

Question. Has the auditor's office uncovered any discrepancies in claims for unemployment over and above actual unemployment?

Answer. Yes. In our last report on this subject, we found that many individuals continued to collect unemployment and sickness benefits after they found non-railroad employment. We recommended that agency officials expand their efforts to computer match beneficiary records with state wage records.

Question. Are claims verified as accurate and dependable?

Answer. Unemployment claims are initially screened by field service employees of the Board for accuracy and reasonableness (depending on the local job market.) The claims are then sent into headquarters where they are processed on a computer system having numerous edits designed to detect errors.

In addition, we believe more should be done to ensure that unemployed workers are making a sincere effort to find work, and to make sure that the workers did not leave their last job voluntarily.

Question. What plans do you have for improving the accuracy of the unemployment insurance caseload?

Answer. We have scheduled a review of unemployment benefit payment accuracy for fiscal year 1989.

FEDERAL MEDIATION AND CONCILIATION SERVICE

STATEMENT OF KAY McMURRAY, DIRECTOR

ACCOMPANIED BY MARY P. DURKIN, BUDGET OFFICER

INTRODUCTION OF ASSOCIATE

Senator STEVENS. Now we are going to go to Kay McMurray, Director of the Federal Mediation and Conciliation Service [FMCS], please.

Mr. McMurray, it is nice to see you. Who is this with you?

Mr. MCMURRAY. This is Mary Durkin. She is the budget officer of the FMCS.

[Discussion off the record.]

OPENING STATEMENT

Mr. MCMURRAY. We will submit our statement for the record. I do have a couple of comments I would like to make.

We, like all of the other agencies, have had some budgetary problems. Ours have been compounded by the change in the competitive atmosphere and the change in the bargaining climate. We are dealing with a whole new ball game that we did not have 2 or 3 years ago. I do not need to tell you this. I know you know that.

In spite of all this, with the help of a whole lot of very fine, dedicated professional people, we are doing a very respectable job, and I am satisfied with what we are doing.

In order to save time, I will not take you through some of the things I was going to say, Senator, except that we are asking for a total appropriation of $24,937,000 and for 335 full-time equivalent positions, which is just slightly over 1½ percent of our current appropriation.

PREPARED STATEMENT

Now, I will answer questions for the record any questions you have.

[The statement follows:]

STATEMENT OF KAY McMURRAY

It is with pleasure that I present the Federal Mediation and Conciliation Service's FY 1989 appropriations request. This submission details our recent accomplishments and documents the resources needed to meet our goals for the coming years.

Federal Mediation and Conciliation Service's Mission

FMCS was established by Congress in 1947 as an independent agency to prevent or minimize interruptions of the free flow of commerce growing out of labor disputes and to assist parties to labor disputes in industries affecting commerce to settle such disputes through conciliation and mediation. In addition, the Service's mission statement calls for the development of sound and stable labor-management collective bargaining relationships, the advocation of collective bargaining, mediation and voluntary arbitration as the preferred process for settling issues between employers and representatives of employees, and the fostering of constructive joint relationships of labor and management leaders to increase their mutual understanding and ability to resolve common problems.

It is through our dispute mediation, preventive mediation, and arbitration programs that our legislative mandate is accomplished.

Changes in Labor-Management Relations

Intensified competition, developments in technology, and demand for leaner and more efficient organizations are leading labor and management to reexamine their traditional roles. Both realize they must alter their basic work relationship if they are to create the commitment and flexibility needed in a rapidly changing work environment.

More and more, decision-makers are looking to voluntary alliances between labor and management as a way to increase productivity and quality, to improve their ability to compete, and to provide a better place to work.

In the public and private sectors, in small and large organizations, joint labor-management teams are devising innovative approaches that show measurable results. As partners with equal interest in the future, they have discovered new strategies that carry them beyond adversarial labor relations to a new realm of cooperative activities that spell success.

The Federal Mediation and Conciliation Service is addressing these changes through a thorough review of our programs and services, the development of a long-range plan, and initiation of innovative preventive mediation programs. Specific actions that the Service has undertaken follow:

- Preventive mediation activities designed to foster labor-management cooperation were increased, and new and effective techniques were developed, including two joint efforts by FMCS and the Department of Labor.
- FMCS mediators were active in the mediation of labor contract negotiations in numerous major industries. These mediation efforts involved thousands of employees and were, in my opinion, extremely helpful in averting, or reducing the duration of, many work stoppages throughout the country. These negotiations included companies in the aerospace industry, retail food chains, health care, wood products, and other major manufacturing companies.
- Fifteen new mediators were selected, hired, and trained. They are now handling full caseloads. These mediators are equipped to handle the complex, dynamic issues of labor-management relations in the 1990s and beyond. (It had been over two and one-half years since we last hired mediators.)
- To assure the most efficient use of resources, extensive 5-year plans have been developed for several staff functions: (1) automated data processing, (2) administrative services, and (3) audio-visual equipment.
- The Office of Mission Support was created to provide strategic planning, preventive mediation coordination, and special program management support for FMCS.
- Extensive training of employees was undertaken through the National Seminar, Effective Briefing and Instructional Tech-

niques workshops, managers' meetings, and district meetings. This training is vital if we are to be catalysts for change.

- In Arbitration the appointment letter process, used in the selection of arbitrators, was automated.
- Extensive surveys of the long-term results of major preventive mediation efforts were completed and the results analyzed and disseminated.
- Under the Labor-Management Cooperation Program sixteen grants were awarded.

Objectives for 1988, 1989, and Beyond

The accomplishments I have just listed provide only the groundwork for long-term improvement in labor relations in this country. We need to continue with our projects and move forward with our plans to improve the delivery of our services. Therefore, we have developed a set of goals for the future. We intend to:

- complete work on a comprehensive long-range plan for FMCS. This plan will address trends in labor relations and the most appropriate role for FMCS. (The Automated Data Processing, Administrative Services, and Preventive Mediation plans will be combined into this broader plan for the Service.)
- continue to provide dispute mediation assistance. In 1989 there will be major contracts expiring in the construction, auto, retail food, hotel, health care, shipping and maritime industries.
- place added emphasis on program and workload analysis.
- continue the Employee Involvement efforts already begun within FMCS.
- complete the automation of the arbitration services unit.
- continue the development and implementation of innovative preventive mediation programs aimed at fostering labor-management cooperation.

Conclusion

This is an exciting time at FMCS. Employees have demonstrated their commitment to the Service's mission. Their work is "paying dividends." There is an optimistic view of the Service's future and its potential. We have set goals, and we intend to achieve them. However, the accomplishment of these goals depends on adequate financial support for our programs. We have received this support for budget requests in the past, and we are asking for continued support in FY 1989.

The appropriations request for $24,937,000 and 335 full-time equivalents represents the level necessary to accomplish our objectives.

Mr. Chairman, I will be glad to respond to any questions you may have.

APPROPRIATION REQUEST

Senator STEVENS. The members in general, I think, have very high regard for your service. We do not have much to do with it, but we get a lot of comments about it. It is something we would like very much to help you on.

I am told by staff here that because of the 4.2-percent across-the-board cut applied to the discretionary programs in Labor, HHS, and Education on this appropriations bill to comply with the budget summit agreement, this request here is close to $700,000 below the request that you would have had. Is that right?

Ms. DURKIN. We were cut 4.26 percent in 1988, and then we had the additional travel cut. That is close to $700,000.

Mr. MCMURRAY. That was especially difficult for us, Senator, because our business is getting a person to a dispute. If we cannot travel, we are out of business. So it was a difficult one to swallow.

Senator STEVENS. Really, even though you show an increase of $667,000, you are still below the request that was actually originally submitted for 1988 as you go into 1989. Is that right?

Ms. DURKIN. I would have to verify it, but I believe so.

AUTOMATED DATA PROCESSING

Senator STEVENS. That is what these figures show here.

You talk about automation. Tell me a little bit about that. When is that going to come on?

Mr. MCMURRAY. Well, it is all practically done now. We have automated the field service. We receive over 100,000 notices a year which all come in on the automatic machine. We have also automated all of our arbitration services and that is working very effectively.

All we are doing now is upgrading the system and learning more things we can do with it. It is working very effectively right now.

PREVENTIVE MEDIATION

Senator STEVENS. Is there any innovation in this request of $667,000? Is it just plain catchup from last year, or are more innovations in here?

Mr. MCMURRAY. Some of it is plain catchup, Senator, but we are spending more and more of our resources in what we refer to as preventive mediation.

With all of the new pressures in the collective bargaining field, as you know, the competition, the demographics, the technical improvements and so on, the whole ball game has changed. We are doing what we can do to convince the parties that it is a whole lot better to sit down and break bread between contract expirations and learn how to cooperate and communicate in order to facilitate the bargaining process.

I have said that I will spend up to 17 percent of our resources for that function. In a joint effort with the Department of Labor, we have developed two new programs. One we call labor-management cooperation 101, which is a short afternoon course, and the other longer program we call partners-in-change. We also have our own program called relationship by objectives.

These programs are all out in the field now working with people. That takes travel, effort, time, and money, but the payoff is very high.

STAFFING

Senator STEVENS. Do you have about 335, 340 people? How many have you got?

Mr. MCMURRAY. 331 now, Mary?

Ms. DURKIN. 321 as of today. We are requesting 335.

Mr. MCMURRAY. 214 of those are full-time mediators, and 12 regional and district directors who can also mediate, and then I mediate, too, if necessary.

Senator STEVENS. You tell your people at least for this one Senator that everytime I have had an intersection with your agency it has been a very, very rewarding one because you have a difficult mission to start with, and I think you really accomplish the objectives of the law that Congress passed to set up your organization. So I am pleased to have been here when you presented your statement.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

I want to thank you very much for what you do for all of us. There will be questions from the committee members submitted to you for the record.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

LABOR MANAGEMENT COOPERATION PROGRAM

Since fiscal year 1981, the Labor Management Cooperation Program has provided grants to establish or support joint labor-management committees in the area, plant, industry and public sector categories. I have been told that these committees are effective in preventing labor disputes, and have fostered long-term working partnerships between the two parties.

Once again, you are proposing to eliminate the grant program for these labor-management committees.

Question. Why haven't you continued funding for this program in fiscal year 1989?

Answer. The Administration strongly supports and encourages labor-management cooperation and believes that labor-management committees can be worthwhile if jointly planned and supported; however, it believes that the private sector can and should fund these labor-management committees.

Question. How much is available for grants in the current fiscal year? How many grants will be awarded? How many applications do you anticipate receiving?

Answer. $817,000 is available for funding in fiscal year 1988. We anticipate awarding 10-12 grants. We received 60 applications requesting over $5.1 million.

Question. Last year you conducted a formal survey on the labor-management committees. Briefly, what were the results of the survey?

Answer. The survey indicated that the grants program is accomplishing the purposes of the Labor-Management Cooperation Act of 1978 which authorized the program, that the projects were generally successful in meeting their goals and objectives, and that the program is being effectively administered by FMCS.

Question. How much funding would be required to continue the program at its current level?

Answer. To continue this program $1,000,000 in grant funds and $190,000 in administrative funds will be necessary.

MEDIATOR HIRING/TRAINING

Last year you started a new procedure to hire mediators from the local area in which they will work, rather than from a national selection process. As I understand it, the idea was to save travel and relocation expenses by "hiring locally."

Question. How much success have you had with the new system?

Answer. The new system has been very successful. We have hired extremely well-qualified mediators who know the labor-management community where they are placed. In addition they are happy with their duty stations and not anxious to transfer.

Question. Has the new system saved you any operating costs?

Answer. Yes. It has saved us substantial amounts in relocation expenses and some travel money in developmental costs.

Question. What type of training do your mediators receive?

Answer. They receive 3 weeks of formal training during their first 6 to 9 months -- orientation, mediation techniques, and briefing and presentation skills.

FURNITURE

The fiscal year 1989 budget request includes an increase of $122,000 for new furniture, fixtures, and office equipment. The appropriation for last year was $10,000. As you know, the General Services Administration (GSA) maintains a supply of office furniture.

Question. Have you checked with the General Services Administration (GSA) as to the availability of furniture to meet your needs?

Answer. GSA surplus furniture listings are always checked for availability of suitable items prior to purchase of new furniture or equipment. However, most of the items planned for purchase are not available through GSA. Also, most of this money is allocated to field office purchasing in locations where GSA does not have a supply of excess furniture, and we find that the cost of shipping used furniture from one location to another is almost as expensive (sometimes even more so) as buying new furniture at the needed locations.

Question. Are you purchasing new furniture to be used throughout your national office?

Answer. Almost all of the funds requested for 1989 will be used to purchase furniture and equipment for FMCS field offices. A limited amount of this money will be used to replace national office items that break or are beyond the point of reasonable cost to repair.

Question. When was the last time that a major furniture purchase was conducted?

Answer. In fiscal year 1987 we were able to replace some furniture and carpet (purchased in fiscal year 1975) in the national office which had become badly worn. Prior to that time almost no furniture items had been purchased for FMCS locations since fiscal year 1976.

WORKLOAD PROJECTIONS

On page 22 of your budget justification, the workload projections for fiscal year 1989 do not indicate any significant increase over fiscal year 1988. Yet, you are requesting an additional 8 mediators.

Question. Why are you requesting the additional mediator positions?

Answer. The additional mediators will be used to provide depth to our current staff. The average age of mediators is 54. Approximately one-third of our mediators are eligible for retirement. These additional positions are meant to aid FMCS in preparing for future demands. Specifically, these mediators will assist veteran mediators with mediation duties, particularly preventive mediation. Because new mediators are not fully functional for six months to nine months after they have been hired, we would like to have a group, the 8 mediators, trained and ready to serve when critical duties or vacancies become apparent.

STAFF INCREASE

In your fiscal year 1989 request, you are asking for a net increase of 9 staff positions. Last year, you requested an increase of 6 positions.

Question. Can you tell us why you need these additional staff and how they will be employed?

Answer. The nine net additional positions include 8 mediator positions and 1 arbitration clerk. The need for the 8 mediator positions has just been outlined above. The arbitration clerk is needed to aid with the issuance of panels of arbitrators. In order to assure prompt response to requests for arbitration panels, a total staff of 12 employees is needed in the division of Arbitration Services. Because of tight budget constraints in 1988, the office has been held to a level of 11. By adding the additional arbitration clerk, the office will be at full strength.

Question. I notice that 4 of these staff will be based at your Washington national office. What new work has your national office taken on, which requires additional staff?

Answer. The 4 employees will not be performing new duties. The 3 grant specialists will be transferred to the national office to continue monitoring pre-existing grants when the Labor-Management Cooperation Program is eliminated in 1989. While this is not a new duty for FMCS, it is a duty moved from one program (LMCP) to another (national office). The fourth position is a clerk needed in the Arbitration Services division to assist with the issuance of rosters of arbitrators.

TRAVEL CUT

Last year, the appropriations for your agency included a reduction of $240,000 for travel and transportation.

Question. How were these cuts applied?

Answer. Funds were reduced in all categories of travel. Travel funds for field employees, national office employees, and new mediators were cut. In addition, travel funds for seminars, workshops, conferences, and station transfers were reduced.

Question. Did this reduction impact upon the delivery of your mediation services?

Answer. Travel funds for field employees (the employees who handle most mediation cases) were reduced, but efforts have been expended to continue vital services. It is difficult to measure the impact on mediation services. While statistics are not yet available, early indications are that fewer meetings with the labor-management parties have been held in dispute mediation, and some preventive mediation work has been reduced or curtailed. Because travel for dispute mediation and preventive mediation is absolutely essential, we have tried to cut other types of travel first.

JOINT INITIATIVES WITH DEPARTMENT OF LABOR

Question. What joint initiatives do you conduct with the Department of Labor?

Answer. Currently the joint initiatives we conduct with the Department of Labor are Partners-in-Change (PIC) and Orientation to Joint Labor-Management Initiatives (OJLMI).

PIC is a process to assist labor and management in jointly confronting change and planning a joint future. The process involves a two-day experiential workshop.

OJLMI is a one-day workshop, designed for top union and management officials, from small to medium-sized companies, interested in learning more about joint approaches to solving mutual problems.

Question. How long have you been offering these programs?

Answer. Since the Fall of 1987, the Service and the Department of Labor have been offering these programs on an ad hoc basis. However, in March of 1988, we issued a joint press release to inform the public that we were ready to offer either one or both of these programs to interested parties.

Question. Do you know if these programs are successful in achieving their objectives?

Answer. It is too soon to do an in-depth analysis of the programs' overall impact on the parties' relationships. We have received very favorable comments from the participants to our early offerings. We are making a concerted effort to follow up and track these on-going relationships.

STATE AND LOCAL GOVERNMENT MEDIATION

On page 24 of your budget justification, you indicate that you will provide dispute mediation, as well as preventive mediation programs to State and local governments.

Question. How is this labor-management sector different from the other employment sectors with whom you work?

Answer. In many important respects, labor-management relations in the state and local government sectors are the same as other employment sectors, in that there are labor organizations bargaining with employer bodies for terms and conditions of employment that will result in a written agreement.

However, the differences involve how each state is structured, what legislation determines who can bargain, over what terms, and if the strike is allowed, or some form of binding arbitration, fact-finding, or other dispute resolution procedure, and if there is a specific board that will mediate the disputes or reliance is placed on federal mediation.

Major differences between public and private sector bargaining involve the more dominant role of the media in covering the bargaining, especially where a state has a "Sunshine law" or the dispute threatens to disrupt a major activity such as fire, police, subway, bus, sanitation, or schooling. Coupled with increased media attention and the high visibility of these disputes is their political component as elected officials are often involved in the actual bargaining. These two factors make dispute resolution more challenging and more complicated. Other factors include the importance of the budget process and its timing, the possibility of sanctions for illegal strikes, and, in some cases, the high turnover of union and management officials where bargaining is relatively new and not institutionalized.

A factor that is different from other sectors is that our mediators, in some states, are training the state mediators in the methods of labor-management cooperation techniques (at the Wisconsin Employment Relations Commission) and in mediation techniques (at the Ohio State Employment Relations Board), for example. We also have a liaison representative who attends the annual meetings of the Association of Labor Mediation Agencies to discuss issues of mutual concern, including training and dispute resolution, and grievance mediation.

Question. How many types of these cases do you anticipate handling in fiscal year 1989? In fiscal year 1988?

Answer. We anticipate an increase in our state and local caseload in fiscal year 1989 because more states are involved in public sector, and this is the fastest growing sector for unionization. During fiscal year 1987, FMCS mediated 919 state and local disputes in 30 states. We expect an increase of approximately 4% in the next two years or 960 dispute mediation cases in 1988 and 1,000 dispute mediation cases in 1989. We expect similar increases in public sector preventive mediation and arbitration.

TRAINING SEMINARS AND CONFERENCES COSTS

The fiscal year 1989 budget request includes an increase of $60,000 over last year's appropriation of $48,000 for training seminars and conferences.

Question. What will this additional funding be used for?

Answer. With $48,000 for seminars, workshops, and conferences in 1988, there will be only 3 training workshops for 50-60 field employees. The increased funds requested for 1989 will provide critically-needed training, through seminars or workshops, for a larger number of our field and national office staff.

DATA PROCESSING CONVERSION

Question. Would you please update us on the conversion of the mainframe operating system?

Answer. We are now planning to begin implementation of the mainframe operating system on July 1, 1988 (fiscal year 1988) with completion in fiscal year 1989. As expected, IBM recently (April 1988) announced it will stop supporting our operating system communications software (IBM OS/VSI VTAM) in 6 months. We should complete the conversion before lack of IBM support is significant.

MEDIATION EFFORTS

Question. Please describe the major successes and failures in the FMCS efforts at facilitating mediation in fiscal year 1988.

Answer. During fiscal year 1988 FMCS assisted the labor-management parties to resolve their differences and reach contract settlements in the petro-chemical, coal, entertainment, aerospace, health care, retail food, and construction industries, as well as in the U.S. Postal Service. We consider these cases "successes."

We consider failures those instances where the bargaining relationship has totally deteriorated, and we have been unsuccessful in helping the parties to resolve their differences, such as in the meat packing industry.

Question. What do you see as your major potential contributions to mediation in fiscal year 1989?

Answer. In 1989 we hope to make significant mediation contributions in the telecommunications, auto, shipping and maritime, health care, and construction industries.

Question. How successful has the Cameo program been in measuring the FMCS contributions to mediation?

Answer. There are two types of Cameos. The first is a brief narrative that brings the mission and character of FMCS into sharp focus. The second is a story that specifies the measurable benefits derived from active mediation. While the Cameo program has been helpful in describing the nature and methodology of FMCS dispute mediation and preventive mediation, it is not a comprehensive evaluation of our effectiveness.

QUESTIONS SUBMITTED BY SENATOR LOWELL P. WEICKER, JR.

HEALTH CARE INDUSTRY

Mr. McMurray, the Service's budget justification indicates that the health care industry has "grown to become one of the largest in the US economy."

Question. What impact has this growth had on the industry's mediation and arbitration needs?

Answer. The growth of the health care industry has had an impact on FMCS's mediation and arbitration services. Mediators find themselves closely monitoring relationships in our nation's 7,000 hospitals and 25,000 nursing homes because of the critical nature of the services these institutions provide. In this industry mediation is mandatory (Public Law 93-360, which amended the National Labor Relations Act), and arbitration services are provided whenever requested.

Question. Generally, what is the relationship between labor and management in the health care industry?

Answer. Generally, relationships between the parties in the health care industry are quite similar to those in other sectors of the economy. However, the urban, high profile, media-sensitive nature of bargaining in this industry makes contract negotiations more difficult.

MEDIATION WORKLOAD

Mr. McMurray, according to the Service's budget justification the mediation case workload has declined 9% from 1983.

Question. What do you perceive as the reason for the decline?

Answer. The major reason for the decline in our dispute mediation work seems to be the increase in competitive pressures, both domestic and foreign, on labor-management parties. These pressures have resulted in a decrease in strikes, an increase in "early-bird" negotiations, and an increase in labor-management cooperative efforts -- all of which produce a decreased dispute mediation caseload and an increased preventive mediation caseload.

Question. Do you anticipate a continued decline in mediation case workload?

Answer. I would presently anticipate a leveling off or perhaps a slight increase in dispute mediation case workload rather than a continued decline. Our work in the labor-management cooperation and the preventive mediation workload is expected to continue to increase during the foreseeable future.

LABOR MANAGEMENT COOPERATION PROGRAM

Mr. McMurray, last year you testified that the Labor Management Cooperation Program "has been a very successful program" and that 85% of the committees are still functioning today using their own money. Nevertheless, the budget request again does not contain any funds for the program.

Question. Would you say that the program continues to be successful?

Answer. Yes, the program continues to be successful.

Question. Why, if the program is successful, is there again no budget request?

Answer. The Administration believes that funding should be and would be provided for individual projects by the private sector.

Question. In your judgment would the private sector have formulated and expanded labor-management committees without the federal incentives?

Answer. In our judgment, many of these efforts would not have been accomplished without Federal funding.

Question. Is there evidence to suggest that this initiative would be continued without federal resources?

Answer. The increase in demand for our preventive mediation services, including assistance in establishing and increasing the effectiveness of existing labor-management committees, suggests to us that competitive pressures, both domestic and foreign, continue to have a positive effect on the establishment of labor-management committees.

The impact of termination of the Labor Management Cooperation Program (LMCP) cannot be predicted with total certainty. However, half of LMCP funding has gone to foster area labor-management committees, and we know of no such committees created without the assistance of Federal, state, or local funds. Some activity would continue with private funds, but our information indicates that the major impetus for these committees is the use of the grant money.

SUBCOMMITTEE RECESS

Mr. McMURRAY. Thank you, Senator.

Senator STEVENS. I have just had a call from Senator Chiles to indicate that he will be here at 4:30 p.m. to complete today's scheduled hearing. For those of you who are on the balance of the schedule for today, Mr. Stephens and Rosemary Collyer, and Mr. Buckley, if you would please understand the problem he has. He is over on the floor, and I am going.

So he will be here at 4:30 p.m. if you will please wait for him.

This subcommittee will stand in recess until that time.

[A brief recess was taken.]

Mr. HALL. Senator Chiles has asked me to extend his apologies. He will not be able to come back today.

The subcommittee will recess until 9:30 a.m. on Friday, when we will continue with the National Labor Relations Board as the first witness and the Occupational Safety and Health Review Commission as the second agency to be heard.

[Whereupon, at 4:15 p.m., Wednesday, April 13, the subcommittee was recessed, to reconvene at 9:30 a.m., Friday, April 15.]

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1989

FRIDAY, APRIL 15, 1988

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 9:30 a.m., in room SD–192, Dirksen Senate Office Building, Hon. Lawton Chiles (chairman) presiding.

Present: Senators Chiles, Harkin, Bumpers, Weicker, and Domenici.

NATIONAL COUNCIL ON THE HANDICAPPED

STATEMENT OF SANDRA S. PARRINO, CHAIRPERSON

ACCOMPANIED BY LEX FRIEDEN, EXECUTIVE DIRECTOR

PREPARED STATEMENT

Senator WEICKER [presiding]. The subcommittee will come to order.

We have as our first witnesses representing the National Council on the Handicapped, more particularly the very esteemed Chairman, Sandy Parrino, who has worked very closely with both the Appropriations Committee and the authorizing committees. and also in so doing, has well represented the aspirations of the handicapped of this Nation. And she is accompanied by her very able Executive Director, or whatever it is they call you, Lex Frieden, who has to weather all the storms both of Sandy and myself. He's the guy who is sort of caught in the middle and does a great job in that respect.

So, Sandy, it is wonderful having you here, and please proceed.

Ms. PARRINO. Thank you.

Mr. Chairman, as you know, my name is Sandy Parrino. I'm Chairman of the National Council on the Handicapped. We appreciate the opportunity to come before this subcommittee to present our justification for a fiscal year 1989 budget request in the amount of $974,000. In an effort to conserve time, however, we would like to request that the opening statement be incorporated into the record and take just a few moments to highlight five key areas.

Senator WEICKER. It will be included in its entirety.

[The statement follows:]

STATEMENT OF SANDRA S. PARRINO

MR. CHAIRMAN AND DISTINGUISHED MEMBERS OF THE SUBCOMMITTEE, MY NAME IS SANDRA SWIFT PARRINO. AS YOU KNOW I HAVE HAD THE HONOR OF BEING THE CHAIRPERSON OF THE NATIONAL COUNCIL ON THE HANDICAPPED SINCE 1983. WE APPRECIATE THE OPPORTUNITY TO APPEAR BEFORE YOU TO PRESENT OUR JUSTIFICATION FOR A FISCAL YEAR 1989 BUDGET REQUEST IN THE AMOUNT OF $974,000.

NCH AUTHORIZATION

I AM PROUD TO SAY THAT IN THE COUNCIL'S RELATIVELY SHORT HISTORY AS AN INDEPENDENT FEDERAL AGENCY I SINCERELY BELIEVE THAT WE HAVE IN THE PAST, AND ARE CONTINUING TO, FULFILL OUR MANDATE IN A VERY CONSCIENTIOUS AND THOROUGH FASHION. AS YOU ARE WELL AWARE, THE CHARGE THAT THE CONGRESS BESTOWED UPON THE COUNCIL WAS BOTH COMPREHENSIVE AND CHALLENGING.

WITH RESPONSIBILITY FOR REVIEWING ALL LAWS, PROGRAMS AND POLICIES OF THE FEDERAL GOVERNMENT WHICH AFFECT PERSONS WITH DISABILITIES AND MAKING RECOMMENDATIONS, AS APPROPRIATE, TO THE PRESIDENT, CONGRESS, THE REHABILITATION SERVICES ADMINISTRATION, AND THE NATIONAL INSTITUTE ON DISABILITY AND REHABILITATION RESEARCH, WE ARE KEPT PERPETUALLY BUSY. FURTHERMORE, AS THE ONLY FEDERAL AGENCY WITH SUCH CROSS-CUTTING RESPONSIBILITY FOR DISABILITY ISSUES -- REGARDLESS OF AGE, DISABILITY TYPE, EMPLOYMENT POTENTIAL, ECONOMIC NEED, OR OTHER INDIVIDUAL CIRCUMSTANCES, WE ARE TRULY UNIQUE AMONG OUR SISTER AGENCIES.

"TOWARD INDEPENDENCE," THE FIRST POLICY REPORT WE PRODUCED, HAS BEEN WIDELY DISSEMINATED AND QUOTED, BOTH ON CAPITOL HILL

AND BY THE DISABILITY COMMUNITY, IN THE TWO YEARS SINCE ITS PUBLICATION.

ON THE THRESHOLD OF INDEPENDENCE

AS PROMISED, IN JANUARY OF THIS YEAR, WE COMPLETED OUR CONGRESSIONALLY MANDATED FOLLOW-UP TO THE "TOWARD INDEPENDENCE" REPORT. THE NEW REPORT, WHICH YOU HAVE IN FRONT OF YOU, "ON THE THRESHOLD OF INDEPENDENCE" WAS SO NAMED BECAUSE IT EPITOMIZES THE POSITION OF PEOPLE WITH DISABILITIES IN AMERICA TODAY. OUR RESEARCH ON PROGRESS MADE ON THE ORIGINAL 45 "TOWARD INDEPENDENCE" RECOMMENDATIONS REVEALS THAT APPROXIMATELY EIGHTY PERCENT OF THEM HAVE BEEN EITHER PARTIALLY OR FULLY ACCOMPLISHED. WE THINK THAT THIS RECORD IS PRETTY AMAZING. YET, THE SIGNIFICANT PROGRESS THAT HAS BEEN MADE SHOULD NOT OBSCURE THE FACT THAT MANY OF THE MAJOR RECOMMENDATIONS HAVE NOT YET BEEN ADDRESSED. SOME DOORS TO OPPORTUNITIES HAVE BEEN FULLY OPENED, SOME HAVE BEEN OPENED HALFWAY, SOME HAVE BEEN ONLY CRACKED SLIGHTLY, AND UNFORTUNATELY STILL OTHERS REMAIN TIGHTLY SHUT.

FOR AREAS IN WHICH THE "TOWARD INDEPENDENCE" PROPOSALS HAVE BEEN IMPLEMENTED AND THE DOORS TO OPPORTUNITY HAVE BEEN OPENED, THE TASK REMAINING IS TO KEEP THE DOORS OPEN AND FOR PEOPLE WITH DISABILITIES TO ACCEPT THE CHALLENGE OF GOING THROUGH THE DOORWAYS. FOR THOSE AREAS IN WHICH THE DOORS TO INDEPENDENCE ARE AJAR, THE COUNCIL HOPES FOR FURTHER EFFORTS TO KEEP OPENING UP OPPORTUNITIES FOR INDEPENDENCE, DIGNITY, AND SELF-SUFFICIENCY. FOR AREAS IN WHICH NO PROGRESS HAS BEEN MADE AND THE DOORS TO OPPORTUNITY REMAIN SHUT, THE COUNCIL PLANS TO REDOUBLE ITS EFFORTS, AND LOOKS TO THE CONGRESS, THE ADMINISTRATION, PEOPLE WITH DISABILITIES AND THEIR FAMILIES, SERVICE PROVIDERS, AND OTHERS, TO JOIN WITH THE COUNCIL TO CONTINUE TO PUSH AND KNOCK UNTIL THE DOORS ARE OPENED.

"AMERICANS WITH DISABILITIES ACT"

ONE OF THE KEY "TOWARD INDEPENDENCE" RECOMMENDATIONS WAS THE ENACTMENT OF A COMPREHENSIVE EQUAL OPPORTUNITIES STATUTE TO PROTECT PEOPLE WITH DISABILITIES AGAINST DISCRIMINATION. THE COUNCIL HAS DRAFTED SUCH A STATUTE. KNOWN AS THE "AMERICANS WITH DISABILITIES ACT OF 1988," THIS DRAFT BILL WOULD OUTLAW DISCRIMINATION ON THE BASIS OF HANDICAP FROM SUCH AREAS AS EMPLOYMENT, PUBLIC ACCOMMODATIONS, TRANSPORTATION, HOUSING, AND COMMUNICATIONS, TO NAME A FEW. "U.S. NEWS AND WORLD REPORT" RECENTLY CALLED THE PROPOSED BILL A "RALLYING POINT FOR DISABLED GROUPS."

THE RECENT COURSE OF EVENTS AT GALLAUDET UNIVERSITY SERVES TO EXEMPLIFY AND AMPLIFY THE STRUGGLE FOR ALL PERSONS WITH DISABILITIES TO ACHIEVE CIVIL RIGHTS -- TO BE TREATED AS EQUAL PARTICIPANTS. TO QUOTE AN INTERVIEW WITH GALLAUDET STAFF FROM THE WASHINGTON POST: "WE ARE NO LONGER CHILDREN OF LESSER GODS -- NOW WE'RE CHILDREN OF EQUAL GODS. THAT WAS THE ISSUE ALL ALONG -- THAT THE DEAF ARE EQUAL. WE'VE PROVEN THAT WITH THIS PROTEST."

EQUALITY FOR ALL PERSONS WITH DISABILITIES ALSO HAS BEEN THE AIM OF THE COUNCIL. IT IS OUR BELIEF THAT THE TIME IS RIGHT FOR PEOPLE WITH DISABILITIES TO BECOME FIRST CLASS CITIZENS. FURTHER, CONGRESS HAS THE PRESTIGIOUS OPPORTUNITY TO ENACT THIS ESSENTIAL LEGISLATION.

I WANT TO TAKE THIS OPPORTUNITY TO EXPRESS OUR APPRECIATION TO SENATORS WEICKER AND HARKIN FOR THEIR EARLY COMMITMENT TO SPONSOR OUR BILL. THEIR RECORD ON CIVIL RIGHTS AND DISABILITY MATTERS IS ADMIRABLE AND WE ARE HONORED TO BE WORKING WITH THEM AND OTHERS ON THIS HISTORIC LEGISLATION.

THREE OTHER ACTIVITIES FOR THE NEXT FISCAL YEAR TO WHICH I WOULD LIKE TO DEVOTE ATTENTION THIS MORNING ARE:

1) THE CONTINUATION AND EXPANSION OF THE PREVENTION OF DISABILITIES INITIATIVE;

2) THE ESTABLISHMENT OF A COMMISSION ON EXCELLENCE IN SPECIAL EDUCATION; AND

3) A CONFERENCE TO DEVELOP SOLUTIONS AND SUPPORTS FOR FAMILIES WITH DISABLED MEMBERS -- THAT IS, FAMILIES WITH CHILDREN WITH DISABILITIES, PARENTS WITH DISABILITIES, OR MEMBERS OF THE EXTENDED FAMILY WHO HAPPEN TO HAVE DISABILITIES.

PREVENTION OF DISABILITIES

WE MUST THANK THE LEADERSHIP OF THIS SUBCOMMITTEE FOR THEIR CONCERN, ATTENTION, AND SUCCESS IN SECURING $3.8 MILLION DOLLARS FOR THE PREVENTION OF DISABILITIES INITIATIVE FOR WHICH WE HAVE BEEN ADVOCATING. THAT MONEY IS GOING TOWARD A COMMUNITY-BASED SMALL GRANTS PROGRAM WHICH IS BEING ADMINISTERED BY THE CENTERS FOR DISEASE CONTROL. IN ADDITION TO THE SMALL GRANTS PROGRAM, THE OFFICE OF DISEASE PREVENTION AND HEALTH PROMOTION, IN THE DEPARTMENT OF HEALTH AND HUMAN SERVICES, IS WORKING ON THE DEVELOPMENT OF A NATIONAL PLAN FOR THE PREVENTION OF DISABILITIES. THIS YEAR WE WILL BE REQUESTING ADDITIONAL FUNDS TO FURTHER EXPAND THE SMALL GRANTS PROGRAM TO COVER ADDITIONAL STATES AND OTHER PRIMARY AND SECONDARY DISABILITIES.

COMMISSION ON EXCELLENCE IN SPECIAL EDUCATION

ANOTHER RECOMMENDATION FROM "TOWARD INDEPENDENCE" WAS TO CREATE A COMMISSION FOR THE STUDY OF EXCELLENCE IN SPECIAL EDUCATION. THIS COMMISSION IS NEEDED TO ASSESS AND EVALUATE THE EXPERIENCES OF PARENTS, CHILDREN, AND EDUCATORS SINCE THE

ENACTMENT OF THE EDUCATION OF ALL HANDICAPPED CHILDREN ACT IN 1975. THIRTEEN YEARS AFTER THE ENACTMENT OF PUBLIC LAW 94-142 WE STILL DON'T KNOW ENOUGH ABOUT HOW ITS BEEN CARRIED OUT, ABOUT WHETHER OR NOT CHILDREN HAVE BEEN EDUCATED IN THE LEAST RESTRICTIVE ENVIRONMENT, ABOUT HOW WELL THE PROGRAM HAS BEEN ADMINISTERED, AND MOST IMPORTANTLY, ABOUT WHETHER CHILDREN WITH DISABILITIES HAVE RECEIVED THE BEST EDUCATION POSSIBLE. THE COUNCIL ESTIMATES THAT THIS WILL COST APPROXIMATELY $3,000,000 OVER TWO YEARS.

FAMILIES

WHETHER OFFICIALLY DECLARED SO OR NOT, IT SEEMS AS THOUGH THE 1980s WILL BE THE DECADE OF THE FAMILY. ALTHOUGH CONSIDERABLE ATTENTION IS CURRENTLY BEING FOCUSED ON PROBLEMS FACING THE FAMILY SYSTEM IN AMERICA, NOT ENOUGH ATTENTION HAS BEEN PAID TO THE NEEDS OF FAMILIES WHO HAVE DISABLED MEMBERS. THE FAMED CHILD DEVELOPMENT SPECIALIST AND ONE OF THE ARCHITECTS OF THE HEAD START PROGRAM, URIE BRONFENBRENNER, ARGUES THAT CHILDREN NEED TO BE A NATIONAL PRIORITY. HE STRESSES THE IMPORTANCE OF WORKPLACE ACCOMMODATION OF PARENTS AND CAUTIONS THAT FAMILIES ARE SIMPLY TOO STRESSED TO TRULY MEET THE NEEDS OF CHILDREN.

WE AGREE WITH HIM. BUT, WHAT ABOUT FAMILIES WITH DISABLED MEMBERS? WHO CARES ABOUT THEM? THESE ARE THE FAMILIES WHO KNOW WHAT STRESS REALLY IS. THESE ARE THE FAMILIES WITH CHILDREN WHO HAVE SPINA BIFIDA AND NEED A WHEELCHAIR, OR CHILDREN WHO ARE SEVERELY MENTALLY RETARDED AND NEED CLOSE SUPERVISION, OR CHILDREN WHO ARE AUTISTIC AND HAVE EXTREME DIFFICULTY WITH VERBAL COMMUNICATION. THEN THERE ARE THOSE FAMILIES WHERE THE PARENTS ARE DISABLED THEMSELVES. AND STILL OTHER FAMILIES WHERE ONE OR MORE GRANDPARENTS OR AUNTS OR UNCLES WHO HAVE CANCER OR ALZHEIMERS OR ARTHRITIS LIVE WITH

THE FAMILY TO AVOID COSTLY HOSPITALIZATION OR UNNECESSARY INSTITUTIONALIZATION. THESE ARE THE FAMILIES WE WANT TO BRING TOGETHER. THESE ARE THE FAMILIES WE WANT TO HELP TO ESTABLISH NETWORKS. THESE ARE THE FAMILIES WHO NEED ALL THE RESOURCES AND SUPPORT THEY CAN MUSTER. THE COUNCIL WOULD LIKE TO CONVENE A NATIONAL FORUM FOR THESE INDIVIDUALS TO ATTEMPT TO SOLVE SOME OF THEIR PROBLEMS AND REACH REALISTIC SOLUTIONS.

CONCLUSION

MR. CHAIRMAN, MEMBERS AND STAFF OF THE SUBCOMMITTEE, THANK YOU FOR THE OPPORTUNITY TO PRESENT THIS STATEMENT. BEING CHAIRPERSON OF THE NATIONAL COUNCIL ON THE HANDICAPPED CONTINUES TO CHALLENGE ME ON A DAILY BASIS. I KNOW THAT WITHOUT THE SUPPORT OF OUR DEDICATED MEMBERS AND STAFF, I COULD NOT DO THE JOB.

I LOOK FORWARD TO OUR MOST SUCCESSFUL YEAR EVER. I APPRECIATE THE LONG STANDING SUPPORT OF THIS COMMITTEE AND TRUST THAT YOU YOU JOIN US WITH OUR EXCITEMENT ABOUT THE INTRODUCTION AND PASSAGE OF THE "AMERICANS WITH DISABILITIES ACT."

BIOGRAPHY OF SANDRA S. PARRINO

Sandra Swift Parrino, of Briarcliff Manor, New York, was appointed Chairperson of the National Council on the Handicapped in 1983 by President Reagan. She has been actively involved in issues concerning disabled people for many years. Her 22-year-old son, Paul, has been severely disabled for most of his life. She is best known as a spokesperson for parents of disabled children and as a panelist, lecturer, lobbyist, and organization official.

Mrs. Parrino serves on numerous boards and councils. She has been director of the Office of the Disabled in Ossining and Briarcliff Manor, New York; she has served on the board of Westchester County Homes for the Retarded; and she is a member of the New York State Assembly Task Force on the Disabled, which reviews pending legislation in the State of New York. Through her efforts, many local advances have been made to improve accessibility for disabled people, such as setting up transportation services and installing voting machines for disabled persons, fund-raising to provide interpreter services for deaf people, and supervision of the school district's compliance with Federal regulations. Mrs. Parrino has been instrumental in the inception of the Council's comprehensive equal opportunity proposal which promotes independence and equality for people with disabilities.

Mrs. Parrino is also a member of the board of Parent Chain, and has served as an American Representative to the United Nations and UNICEF for the International Year of Disabled Persons. She is currently the North American vice president of Rehabilitation International, a worldwide service, information, and advisory organization. She has also been asked by the Department of Health and Human Services to co-chair an ad-hoc committee on the prevention of disabilities.

BIOGRAPHY OF LEX FRIEDEN

Lex Frieden is Executive Director of the National Council on the Handicapped, an independent Federal agency located in Washington, D.C. The Council is a fifteen member body appointed by the President and confirmed by the Senate. The Council is charged by law with reviewing all laws, policies and programs affecting people with disabilities and making recommendations to the President and the Congress.

Prior to assuming his present position, Mr. Frieden was Director of the Independent Living Research Utilization project at The Institute for Rehabilitation and Research and assistant professor of rehabilitation at Baylor College of Medicine, Houston, Texas.

A graduate of Tulsa University, Mr. Frieden has been honored as a Distinguished Alumnus. He also holds a master's degree in social psychology from the University of Houston. He has done additional graduate work in rehabilitation psychology at the University of Houston with support from an SRS doctoral fellowship, and he has been awarded a World Rehabilitation Fund Fellowship to study programs for disabled people in Europe.

Mr. Frieden, a quadriplegic due to spinal cord injury, has been involved in the organization of several groups of disabled individuals including the American Coalition of Citizens with Disabilities, the Coalition of Texans with Disabilities, and the Houston Coalition for Barrier Free Living.

Working in the independent living movement by severely disabled people since the early 1970's, Mr. Frieden has published several books and papers on independent livng. He served as a consultant panel member for the United States House of Representatives' Committee on Science and Technology from 1976 through 1978, and he prepared the background paper on Community and Residential Based Housing for the White House Conference on Handicapped Individuals in 1977. He was honored by the U.S. Jaycees in 1983 as one of America's Ten Outstanding Young Men.

"ON THE THRESHOLD OF INDEPENDENCE"

Ms. PARRINO. I would first like to mention our new report "On the Threshold of Independence", which is I think in front of you, Senator. There are a few copies here on the table. As promised, in January of this year we completed this congressionally mandated followup report to our first report which was called "Toward Independence."

I would then like to mention four topics very briefly: equal rights of people with disabilities, education of children with disabilities, prevention of primary and secondary disabilities, and the need to discuss major issues facing families with disabled members.

EQUAL RIGHTS

The first topic, equal rights of people with disabilities. Several years ago the Council became aware of the fact that people with disabilities in this country do not enjoy the same protection under this Nation's laws as other Americans do. And although there are a number of statutes and regulations that prohibit discrimination on the basis of handicap, there are too many gaps and not enough compliance. Too often the pursuit of employment and education and the enjoyment of public facilities, recreation, and transportation are denied people with disabilities. Therefore, the members of the Council decided 3 years ago that there was a need for a comprehensive civil rights law for Americans with disabilities, and we outlined that law in our report "Toward Independence."

AMERICANS WITH DISABILITIES ACT OF 1988

In 1987 after recognizing that our recommendation had not been acted upon, the Council decided to draft a legislative proposal with the hope that persons in Congress might consider introducing it. I am very proud and very grateful that Senator Weicker and Senator Harkin have agreed to introduce this legislation which we named the Americans with Disabilities Act of 1988. I don't know if that is going to remain the title.

It is our understanding that this bill will be introduced 2 weeks from today on April 29. It is also our understanding that Congressmen Coelho and Conte, and others will introduce this bill at the same time in the House of Representatives. For people with disabilities and family members like myself, this is an historic occasion, and I hope it will be historic for all people in this country.

STUDY ON EDUCATION OF DISABLED CHILDREN

Regarding the education of children with disabilities, the Council feels that there is a need for an independent national study on the education of disabled children. In 1983 the National Commission on Excellence in Education issued its report "A Nation at Risk." This report was done by a blue ribbon panel of experts, outlined major problems facing education in America today and suggested how we as a nation might address these problems. Unfortunately, the report did not address the needs of students with disabilities and their families. The Council believes that 13 years after the passage of Public Law 94–142, this is a critical unmet need which must be fulfilled.

HARRIS POLL

I will also mention that the Council initiated a third Harris poll, which has not yet been completed, surveying parents of disabled children, educators of disabled children and some disabled teenagers. We had hoped to have the results of this poll today. We will have the preliminary results in May. The Council estimates that $3 million would be required over a 2-year period. The Council would be willing to assume oversight responsibility for this study.

PREVENTION

The next area is prevention of primary and secondary disabilities. As I think you are aware, the Council is deeply committed to the prevention of both primary and secondary disabilities. And we are very encouraged by the progress which has been made by the Centers for Disease Control. The Council's recommendation, pending approval by the full Council, is that CDC receive $20 million for fiscal year 1989. This funding would allow CDC to expand the prevention of disabilities program to 25 States with approximately 75 community-based prevention programs.

We further recommend that the Office of Disease Prevention and Health Promotion receive $500,000 and four FTE's for fiscal year 1989 which will enable the office to develop a national plan for prevention of disabilities and assure that such a plan maintains a focus on major issues confronting the disability community.

The Council is particularly concerned about secondary disability. And CDC has indicated they understand this concern and that that will be a major part of their focus.

FAMILIES

Last, the Council recognizes that a tremendous responsibility falls on the shoulders of parents and family members of persons with disabilities. And because it is our belief that the majority of human beings thrive better outside institutions and nursing homes, we encourage and promote the idea of disabled children and adults staying in their homes and communities whenever possible.

The Council would like to conduct 10 regional conferences over an 18-month period in order to bring together persons with disabilities, parents, family members, service providers, advocacy groups and others to discuss major issues facing families such as equal rights, parental involvement and advocacy, living arrangements, insurance, community support systems, educational needs and rights of children with disabilities, and elderly persons with disabilities. We believe that by having conferences in the regions, it would allow greater input and participation.

The intent is to reach groups traditionally overlooked, such as minorities, including Native Americans on reservations, people living in rural areas, immigrants and the homeless.

There would also be the possibility after the 10 regional conferences of having a national conference to bring together all the information and then bring the recommendations back to Congress. I do have some figures on that if you would like them.

That concludes my remarks, and we would certainly be happy to answer any questions.

AMERICANS WITH DISABILITIES ACT

Senator WEICKER. Thank you very much. I want to commend you, Sandy, again and your staff of the National Council for developing the historic legislation entitled "Americans with Disabilities Act" which I am going to have the honor to introduce along with Senator Tom Harkin on April 29, and as you have indicated, along with its sponsors on the House side.

Is it your sense from the many forums that the Council has held around the country that people are ready to do what is necessary to get a comprehensive bill prohibiting discrimination against disabled persons? Do you think, in other words, there will be a grassroots push? I know how hard you have worked, how hard staff has worked, how hard, indeed, Senator Harkin and others on the House side have worked to try to get a consensus here. But now, how is it going to be received by the public?

Ms. PARRINO. Yes; it is our understanding from the forums that this is a great concern of people with disabilities and their families, that they do not have protection under our laws as other people have. And I think there will be great interest all over the country, especially when others begin to find out that they don't have this protection. Many people, family members, disabled people, parents like myself, don't even know that we don't have that protection. We don't have any idea about it. We think we are equal to everybody else or our children are equal, and we do not know that is not the case. So, I think if a very moderate mother like myself would be interested in seeing something like this go forward, I am assuming that there will be millions of other people equally interested.

PREVENTION

Senator WEICKER. I have one last question. I have other questions for response to the record, but I realize we have a full schedule here today.

As you mentioned in your testimony last year, this subcommittee appropriated $3.8 million to the Centers Disease Control for a small grants program to assist community-developed programs aimed at the prevention of disabilities. Do you know how many States are now receiving funds from this program? Can you describe some of the program plans which those States are developing?

Ms. PARRINO. I unfortunately cannot give you those answers.

Senator WEICKER. Can you give them for the record?

Ms. PARRINO. Yes; we certainly can.

Senator WEICKER. Fine.

[The information follows:]

It is our understanding that for the first year of the program, the Centers for Disease Control plans to fund prevention activities in approximately eight States. These moneys will be used to fund State programs which will support a State commission on disability prevention; an office of disability prevention which will coordinate activities throughout the State; and community-based projects which will carry out activities to prevent targeted disabilities.

SMALL GRANTS PROGRAM

Senator WEICKER. You indicate it will be desirable to expand the small grants program to include other States. Could you give us an estimate as to the sufficient amount of funding to adequately meet the national need for community-based programs and prevention?

Ms. PARRINO. I will provide that.

Senator WEICKER. Would you like to provide that for the record also?

Ms. PARRINO. Yes.

[The information follows:]

The Council's cost estimates for the prevention program for fiscal year 1989 include $20 million to fund 25 States at $250,000 each; up to 75 demonstration projects at the community level at $150,000 each, and $2.5 million for technical assistance and projects of national significance. However, the Council understands that this is not the level of funding the administration believes is appropriate. Funding offsets required to meet the requirements of the bipartisan budget agreement have not been identified to allow this funding increase.

ACCOMPLISHMENTS

Senator WEICKER. Again, before turning over to Chairman Chiles, I just want to tell you that this Council, unlike so many other Councils here in Washington under your leadership has nothing but a string of accomplishments of actually having—never mind hand-wringing and gaining sympathy—your reports, your plumbing the depths of feeling by the American people in conjunction with the Harris organization, the legislation which you proposed. I have never seen any organization as long as I have been in Washington that has a record of production that equals yours and done so on an absolute shoestring budget. My compliments to you.

Ms. PARRINO. Thank you. I would just also like to say that really a lot of that credit should go to our staff, to Lex Frieden, our Executive Director, to people on the staff like Andrea Farbman who have really made it possible. So, I think the credit should go to not only the members, but to the staff as well. Thank you.

STUDY OF PUBLIC LAW 94-142

Senator CHILES [presiding]. Ms. Parrino, I understand there is some interest in the disabilities community for a comprehensive study on the impact of the Education of the Handicapped Act, Public Law 94-142. Do you think a comprehensive study is needed there?

Ms. PARRINO. Yes; we do. We think that a national comprehensive study is needed because it is now 13 years after the act was passed. And we haven't seen a study done similar to "A Nation at Risk" which we think was a very good study and had some good outcomes. We feel that a comprehensive look should be given to the education of disabled children.

We often hear they are being integrated, but are they being educated? And I think our main interest is what happens after school, after they finish the entitlement program. Are they going to be employed? Are they going to go on to other education, or what exactly is going to happen?

Senator CHILES. Who do you think would be best situated to conduct such a study? The Council or more appropriately done by the Education Department?

Ms. PARRINO. Well, it has been suggested that it would be—the Council.

Senator CHILES. Do you have any idea of the cost of such a study?

Ms. PARRINO. Yes; we have estimated it would cost about $3 million over a 2-year period, so about $1.5 million each year. And I think there are groups like the Carnegie people who could do such a study.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator CHILES. Well, I have some other questions that I will also submit for the record, and we thank you all very much for your appearance here today.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

AMERICANS WITH DISABILITIES ACT OF 1988

Senator Chiles. In this year's policy report, On the Threshold of Independence, the Council proposes a draft equal opportunities bill for persons with disabilities. Can you give us some background on your proposed "Americans with Disabilities Act," and update us on its status.

Answer. The Americans with Disabilities Act of 1988 was a key recommendation of the Council in its 1986 report to Congress and the President, Toward Independence. Based upon hearing repeatedly at consumer forums around the country that discrimination is the number one problem facing people with disabilities and their families, the Council recommended that "Congress should enact a comprehensive law requiring equal opportunity for individuals with disabilities, with broad coverage and setting clear, consistent, and enforceable standards prohibiting discrimination on the basis of handicap."

Responding to its statutory mandate to provide legislative proposals to Congress, the Council took its recommendation another step forward and developed a draft of such a bill -- "the Americans with Disabilities Act of 1988." We are proud to announce that this bill was introduced in the Senate on April 28, 1988 by Senators Lowell Weicker, Thomas Harkin, John Kerry, Paul Simon, Daniel Inouye, Robert Stafford, Edward Kennedy, Patrick Leahy, Spark Matsunaga, John Chafee, Bob Packwood, and Robert Dole, and assigned the number "S. 2345." On April 29, 1988, the bill also was introduced into the House of Representatives by Tony Coelho, Silvio Conte, Major Owens, and 45 other cosponsors, and became H.R. 4498.

It should be noted that this bill was submitted to Congress without the usual clearance through the Administration. It is, therefore, the product of the Council. The views of other agencies have not formally been taken into account. The Committee may wish at this time to request Administration views on the bill.

Question. What will be the budgetary impact -- both to the government and the private sector -- of implementing this legislation?

Answer. The Council believes the budgetary impact to the Federal Government of the bill would be minimal. The bill establishes a nondiscrimination statute; it does not create any new Federal services or programs. The only expenses to the Federal Government it will entail consist of the costs of developing and enforcing regulations. Enforcement efforts, for the most part, can be channeled to existing Federal agency administrative enforcement mechanisms. For the private sector, there will be some costs associated with modifying facilities and vehicles, and making accommodations to enable the participation of persons with disabilities. The language of the Act sets limits on the extent of such obligations and provides reasonable timelines for spreading out their implementation. No business or agency is required to make any changes that will threaten the existence of or fundamentally alter the business or activity. In most cases, the expenses of modifications will be offset by provisions of the Tax Code that permit businesses to deduct up to $35,000 of such costs each year.

The Council has described, in Toward Independence and in On the Threshold of Independence, various studies that indicate that the costs of modifications to permit the participation of people with disabilities are generally not exorbitant, as some people not familiar with accommodations needed by persons with disabilities may fear. The Council is also mindful that we are dealing with issues of civil rights and equality, and that it is difficult to establish a price tag for such rights.

The Council is convinced that the costs to the Nation of discrimination are much higher than the costs of eliminating discrimination. As documented in Toward Independence, over $60 billion dollars of Federal expenditures are associated with disability. About 95% of this money is spent on support programs that underwrite dependency, largely because two-thirds of people with disabilities of working age are not working. Given that two-thirds of those individuals without jobs want to work (Harris, 1986), it is deplorable that such problems as discrimination prevent these individuals from successfully pursuing a job. By removing barriers to employment, transportation, housing, and other opportunities, this bill will enhance the chances of people with disabilities to become independent, self-sufficient, taxpaying citizens.

CIVIL RIGHTS OF PERSONS WITH DISABILITIES

Question. As you know, Ms. Parrino, Section 504 of the Rehabilitation Act protects the disabled from discrimination by any federally funded entity. Recently, the Washington Post quoted your attorney as stating that Section 504 of the Rehabilitation Act is not sufficient to protect the civil rights of the disabled. Please explain why.

Answer. The Council believes the major problem with Section 504 is the limited nature of its coverage. The requirements of Section 504 apply to programs and activities of the Federal Government and of recipients of Federal financial assistance. Constitutional provisions, civil rights laws, and judicial precedents proscribing discrimination on the basis of race, sex, religion, and national origin have applied those prohibitions to a wide array of activities not reached by Section 504. For example, provisions of the Civil Rights Act of 1964 prohibit discrimination by employers engaged in commerce and having 15 or more employees; by places of public accommodation; and pursuant to State and local laws and ordinances. People with disabilities have no comparable protection. Title VIII of the Civil Rights Act of 1968 prohibits discrimination on the basis of race, color, religion, sex, or national origin in the sale or rental of housing. People with disabilities have no comparable protection. Other statutes, and court interpretations prohibit other types of discrimination in transportation and communications. People with disabilities have no comparable protection. For all of these reasons, Section 504, while of tremendous importance in establishing the rights of people with disabilities, is insufficient in the scope of what it covers; by itself, Section 504 does not establish a comprehensive mandate against discrimination on the basis of handicap in our society.

PREVENTION OF DISABILITIES

Question. Mrs. Parrino, last year this Subcommittee provided the Centers for Disease Control with just under $4 million dollars to provide assistance to states and communities in developing programs for the prevention of disabilities. I see that the Council also wants to expand its activities in the prevention area. Would you tell us what you think of our initiative with the Centers for Disease Control, and also tell us what the Council is doing on prevention?

Answer. Thus far, the Council is quite pleased with the progress made by the Centers for Disease Control on the newly funded prevention of disabilities program. We have had several meetings with CDC staff and with experts in the field of prevention of both primary and secondary disabilities. It is our understanding that for the first year of the program, CDC plans to fund prevention activities in approximately eight states. These monies will be used to fund State programs which will support a State commission on disability prevention; an office of disability prevention which will coordinate activities throughout the State; and community-based projects which will carry out activities to prevent targeted disabilities. Because the Request for Proposals will not appear in the Federal Register until later this Spring, it is difficult to fully ascertain reactions to this program at the community level. However, in our meetings with experts in the field of prevention, this program has been cited as one that has been greatly needed for some time. We look forward to the responses to the RFP. We appreciate the support afforded this program by the Subcommittee and we will be glad to keep you informed as this important program progresses.

STUDY ON EDUCATION OF THE HANDICAPPED ACT

Question. Mrs. Parrino, I understand that there is some interest in the disability community for a comprehensive study on the impact of the Education of the Handicapped Act, Public Law 94-142. Do you think a comprehensive study is needed? Would the Council be well situated to conduct such a study or would this be more appropriately done by the Education Department?

Answer. The significance of P.L. 94-142 in terms of providing educational services to children with disabilities cannot be overstated. Furthermore, it is unique in its requirement for the active involvement of parents in the education of their child with a disability. The Council believes this unique partnership among parents, educators, and other related-services personnel, which has been in existence for more than a decade, could benefit from examination and review.

The first step in determining more precisely what sort of study is needed would be to agree on the issues to be addressed and to review the quality and availability of existing data on those issues. Once the agenda for any such study is set and the magnitude of the work required to complete that agenda is understood, then we would be in a better position to estimate the quantity of the work and to offer suggestions as to the most appropriate agency to carry out the study task. Such a preliminary investigation and agenda setting could be conducted by the Council, with the assistance of other agencies, within currently requested resource levels during the coming fiscal year.

The Council has been a staunch supporter of P.L. 94-142, and will continue to advocate for enhanced services for children with disabilities and their families as mandated by the law and its regulations. This study could provide Congress, and others concerned with the education of children with disabilities, with relevant data with which to plan for future services. Although the Office of Special Education Programs (OSEP) has important data, more data could be useful to gain an overall perspective on the full picture of educational services provided to children with disabilities and their families.

CONFERENCE ON FAMILIES

Question. What will be the focus of your conference on the families of the disabled? Do you feel that the families of the disabled are adequately counseled and consulted in the education and rehabilitation efforts that are currently in use?

Answer. The purpose of the conference is to bring together persons with disabilities, parents, family members, service providers, advocacy groups and others to discuss major issues facing families with disabled members. Topics will include such issues as: equal rights, insurance, parental involvement and advocacy, living arrangements, community support systems, educational needs and rights of children with disabilities, community integration, and independent living. A report with recommendations on strategies to ameliorate the problems will be submitted to Congress.

In my opinion, as a parent of two children with disabilities, parents have limited involvement in the educational system. Even the involvement of parents in the individualized educational planning process, which is mandated by law, is not sufficient. Many times this is the only contact parents have with the schools. And, unfortunately, many parents are not familiar with their legal rights. Furthermore, some parents may not know if the school is providing all of the services that it should under the law to address the specific needs of a child with a disability.

In the case of the rehabilitation system, most of the individuals with disabilities served are adults. The rehabilitation system tends to overlook the importance of the family in the rehabilitation process.

The conference that we are planning would address these problems and hopefully enlighten both parents and service providers as to the role of the family in service provision.

HARRIS POLLS

Question. I know that you are in the process of conducting another Harris Poll on the education of children with disabilities. Can you relate some of the initial findings of this study? Does the Council plan to initiate any additional Harris surveys?

Answer. Louis Harris and Associates is in the process of completing a third Harris Poll on disability for the International Center for the Disabled. The Council has again played a major role in initiating this study which focuses on the educational needs of children with disabilities. For this survey, 600 special educators, 1,000 parents of children with disabilities and 200 students with disabilities have been contacted. Because of the need to protect the confidentiality of families with disabilities, this survey has taken much longer than the other Harris Polls with which we have been involved. The preliminary results of this survey will be presented to the Council at our May meeting. After the final results of this survey have been completed, we plan to disseminate these findings widely. We assure you that the Subcommittee will receive this information as soon as it becomes available. The Council would like to initiate additional Harris Polls. At this time, however, we are still in the conceptualization stage of future projects.

COORDINATION WITH THE NATIONAL INSTITUTE ON DISABILITY AND REHABILITATION RESEARCH

Question. Last year the Council mentioned that, based on its statutory mandate, it would be assisting the National Institute on Disability and Rehabilitation Research with the development of its 5-year plan. Can you tell us of the progress on such a plan?

Answer. The Council has been and remains anxious to work with the National Institute on Disability and Rehabilitation Research with long-range planning for the Institute, including specifically the development of a current long-range plan as mandated in its statutory responsibilities. Unfortunately, due to vacancies in the Director position and other problems, the Institute has made little progress in developing a current long-range plan. The Council is quite concerned that the lack of such a long-range blueprint leaves the Institute without any effective overall direction in the coordination and fostering of research affecting persons with disabilities.

Question. We understand that the Director position at the National Institute has been vacant for nearly 8 months. Has the Administration consulted with the Council regarding this vacancy?

Answer. The Director of the Institute is appointed by the President with the advice and consent of the Senate. Pending the President's selection, Dr. James D. Reswick is serving as the Acting Director. The National Council on the Handicapped has not been consulted in regard to the position.

COORDINATION WITH PRESIDENT'S COMMITTEE ON EMPLOYMENT OF THE HANDICAPPED

Question. This Committee has been very interested in the leadership and guidance role that can be played by the Council with the President's Committee on Employment of the Handicapped. What progress has been made?

Answer. The National Council on the Handicapped and the President's Committee on Employment of the Handicapped have developed a memorandum of understanding which outlines the National

Council's role in providing guidance to the President's Committee. The memorandum specifies that the Council reviews and provides input on the annual work plan of the President's Committee. In addition, PCEH is expected to provide the Council with regular status reports on its work plan accomplishments. The chairpersons and executive directors of both agencies meet regularly. The Council and the President's Committee are planning to have a joint meeting in May of this year to discuss the work plan and develop collaborative projects.

JOBLESSNESS AMONG PEOPLE WITH DISABILITIES

Question. How is the Council attempting to solve the joblessness problem of people with disabilities?

Answer. The Council is addressing the problem of joblessness of people with disabilities in several ways. First, recommendations were made in Toward Independence pertaining to the employment needs of persons with disabilities. During the 99th Congress, legislation was passed that included several of the Council's major recommendations in the areas of supported employment, transition from school to work, and tax incentives for employers. The Council believes that these legislative changes have expanded job opportunities for persons with disabilities. A major focus of the Americans with Disabilities Act, also proposed in Toward Independence, would be to prohibit discrimination in the workplace.

Secondly, the Council has initiated two Harris Surveys which relate to employment, the first survey of persons with disabilities and the second one of employers. Lastly, members of the Council and staff have participated in workshops and conferences addressing the employment needs and problems of persons with disabilities.

VACANCIES ON COUNCIL

Question. How many vacancies are there on the Council? How long have these seats been vacant? What is being done by the Administration to fill those seats?

Answer. There are currently three vacancies on the National Council on the Handicapped. One seat has been vacant since August, 1987 and the other two have been vacant since October, 1987 and January, 1988, respectively. We understand that the White House Office of Presidential Personnel is considering the appointment of highly qualified individuals for the vacancies.

MAJOR FINDINGS OF "ON THE THRESHOLD OF INDEPENDENCE"

Question. Please describe for us the major findings of your new study "On the Threshold of Independence." What area does your report indicate is in the most need of attention?

Answer. On the Threshold of Independence chronicles progress made on the forty-five legislative recommendations which were proposed in the Council's 1986 report, Toward Independence. Some significant progress has occurred in the two years since Toward Independence was published. The Council has identified some twenty-one statutory provisions consistent with its recommendations that have been enacted into law. In addition, the Council is aware of ten bills that have been introduced in Congress, but not yet enacted, that would further proposals included in Toward Independence.

Of the forty-five legislative recommendations, eighty percent have been either partially or fully accomplished. Many doors to independence have been opened, others remain closed or only partially opened. The area in need of most attention is the passage and full implementation of "The Americans with Disabilities Act of 1988" because it will outlaw the needless discrimination faced by people with disabilities on a daily basis.

The following summarizes the findings of our report.

o EQUAL OPPORTUNITY LAWS
A major achievement in this area was the development by the Council of a comprehensive legislative proposal, "The Americans with Disabilities Act of 1988," which translates the primary equal opportunity recommendations into proposed statutory language. This draft bill was unanimously endorsed by the Council in March of this year and subsequently introduced into both the Senate and House of Representatives on April 28, 1988 and April 29, 1988, respectively, under the same title. Hearings are expected to be scheduled for June. Three other statutes -- the Rehabilitation Act Amendments of 1986, the Handicapped Children's Protection Act of 1986, and the Protection and Advocacy for Mentally Ill Individuals Act of 1986 -- incorporated other significant, but narrower, equal opportunity recommendations.

o EMPLOYMENT
In the area of employment of persons with disabilities accomplishments included passage of legislation incorporating several of the Council's major recommendations in the areas of supported employment, transition, and tax incentives for employers. The Council believes that these legislative changes represent unprecedented gains in terms of expanded employment opportunities for persons with disabilities. Additional Congressional action is still needed to implement the full range of the Council's recommendations, including the establishment of model centers on employment and return-to-work programs, and elimination of the income eligibility requirement for persons with disabilities under the Job Training Partnership Act.

o DISINCENTIVES TO WORK UNDER SOCIAL SECURITY LAWS
Legislation passed in the 99th Congress furthered several of the Council's recommendations for the removal of barriers under the Social Security Act that discouraged persons with disabilities from seeking gainful employment. These included the Employment Opportunities for Disabled Americans Act which made the temporary provisions of Section 1619 (a) and (b) of the Social Security Act permanent and established Section 303 of the Rehabilitation Act Amendments of 1986 which required the National Institute on Disability and Rehabilitation Research to conduct a study of health insurance for persons with disabilities. The Council continues to believe that the eligibility criteria for Supplemental Security Income and Social Security Disability Insurance merit attention.

o PREVENTION OF DISABILITIES

The Council devoted considerable effort regarding policies and programs to prevent both primary and secondary disabilities. Consistent with the Council's programmatic recommendation, Congress appropriated $3.83 million dollars for a small, community-based grants program under the Centers for Disease Control. This project is already beginning to target programs in eight States for FY 88. The Office of Disease Prevention and Health Promotion, in conjunction with the Council, convened a Federal ad hoc group on the prevention of disabilities which included a number of Federal agencies. The focus of this ad hoc group was the exchange of information between Federal agencies and the development of a national plan for the prevention of disabilities. In addition to these projects, it would be helpful for the Office of Technology Assessment to conduct a study on the status of prevention of disabilities in America.

o TRANSPORTATION

In Toward Independence the Council concluded that accessible transportation is a critical component of a national policy that promotes the self-reliance and self-sufficiency of people with disabilities. The area of greatest progress has been that of air transportation with the passage of the Air Carrier Access Act of 1986. Other developments included the introduction of bills to amend the Urban Mass Transit Act and to create a national uniform system for parking for individuals with disabilities. Many of the recommendations in this area have not been enacted. The Council affirms its commitment to their enactment and improving transportation access for persons with disabilities.

o HOUSING

The housing legislative recommendations presented direct and indirect means for increasing the housing opportunities available to persons with disabilities. Some significant legislative proposals and administrative actions have furthered the Council's recommendations. At the same time, many of the Council's key housing recommendations have yet to receive Congressional resolution and administrative implementation.

o COMMUNITY-BASED SERVICES FOR INDEPENDENT LIVING

Centers providing independent living services have grown substantially in number, scope, and resources. Consistent with the Council's recommendation, Congress has continued to appropriate funds for independent living. The evaluation standards for independent living services developed by the Council have been endorsed by the Rehabilitation Services Administration. Tax deductions for expenses incurred by persons with disabilities have increased under the Tax Reform Act of 1986. Other Council recommendations regarding core funding and institutional bias withing the Health Care Financing Administration have not been implemented.

o EDUCATING CHILDREN WITH DISABILITIES

The Education of the Handicapped Act Amendments of 1986 accomplished a primary recommendation of the Council by creating an early intervention program to serve disabled infants from birth through age two. In addition, the legislation included significant improvements in services for three- to five-year-old children with disabilities. To further implementation of its recommendation regarding standards to clarify the concept of least restrictive environment, the Council developed a draft policy statement on this issue. The Council has also initiated a third Harris Poll to examine the status of education for children with disabilities. The results of this poll are expected sometime this summer.

o PERSONAL ASSISTANCE: ATTENDANT SERVICES, READERS, AND INTERPRETERS

The Council established a task force for the development of a legislative package for a comprehensive national personal assistance program and consulted with leaders in the field and numerous organizations around the country. A legislative workplan is currently being developed which will recommend amendments to legislation, and will include proposals to fill service gaps in developing coordination of personal assistance services.

o COORDINATION

The Council participated in efforts that have fostered coordination of services for people with disabilities on the Federal, State, and local levels. Examples of these efforts include participation in an ad hoc group on the prevention of disabilities, observation of the regulatory negotiation process for the Air Carrier Access Act of 1986, cosponsorship of a conference on transition with the Office of Special Education and Rehabilitative Services, and recommendations in testimony for the Education of the Handicapped Act Amendments of 1986. The Council is also exploring the work of the Advisory Council on Intergovernmental Relations to identify data being gathered regarding coordination efforts at the State and local levels.

PHYSICIAN PAYMENT REVIEW COMMISSION

STATEMENT OF KAREN DAVIS, PH.D., COMMISSIONER

ACCOMPANIED BY DR. PAUL GINSBURG, EXECUTIVE DIRECTOR

PREPARED STATEMENT

Senator CHILES. We have another group that we are going to take out of order because they have to testify before the House. So, next we will hear from Karen Davis with the Physician Payment Review Commission.

Dr. Davis, we understand Dr. Philip Lee, the Chairman, is unable to appear here today. We know that you are also chairman of the department of health policy and management at the School of Public Health at Johns Hopkins. I understand you have to be on the House side. We will put your statement in the record, and if you will just give us some brief oral remarks.

[The statement follows:]

STATEMENT OF KAREN DAVIS

Mr. Chairman, I am pleased to come before this Committee today to discuss the progress of the Physician Payment Review Commission in the past year and its plans for the future. The Commission was created by Congress in 1986 (P.L. 99-272) to make recommendations for reform in Medicare's system of paying physicians. It has 13 members, appointed by the Director of the Office of Technology Assessment, who represent a broad range of knowledge, experience and perspectives. The Commission has had a solid record of accomplishment during its first year and a half of operation. It has charted a clear direction for physician payment policy, has provided advice to Congress that has been reflected in legislation, and has laid the groundwork for Medicare reform.

The Commission issued its first report to Congress one year ago. In that report, it established goals that would guide its deliberations on physician payment policy and called for the development of a fee schedule for Medicare. The report provided the framework for both the Commission's advice to Congress on short-term policy changes during the past year and its ongoing analytical work on longer-term reforms.

ADVICE TO CONGRESS

The Commission's advice has been sought by Congress on numerous occasions throughout the year. It provided both formal testimony and informal advice to each of the committees with jurisdiction over Medicare. Soon after the 1987 report was released, these committees asked the Commission to advise them on how to meet the fiscal year 1988 Congressional budget objectives for the Medicare program. The Commission developed recommendations, guided by the principle that short-term policy changes should move the payment system in the direction of long-term reform.

The Commission recommended a reduction in the fee update allowed by the Medicare Economic Index for all services except primary care (defined as office visits, home visits and nursing home visits). It developed a methodology to identify procedures most overvalued by Medicare and recommended a reduction in prevailing charges for 13 procedures in all localities except those whose prevailing charges were substantially below the national average. And, it reiterated a recommendation from its 1987 report that Congress consider an incentive payment for primary care services delivered in specified underserved areas.

The Commission's recommendations were meant to meet immediate budget objectives in a manner that both moved the system toward a more rational pattern of relative payments and protected beneficiary access to care. Each recommendation is reflected in provisions of the Omnibus Budget Reconciliation Act of 1987. In addition to assistance on immediate budget issues, the Commission began to advise Congress on potential approaches to slow Part B expenditure growth as concern mounted in response to the announcement of a 38.5 percent increase in the Medicare Part B premium last fall.

MARCH 1988 REPORT TO CONGRESS

The Commission submitted its second annual report to Congress two weeks ago, on March 31. It reports on the Commission's progress in developing a fee schedule, examines potential components of a strategy to slow the growth in expenditures for physician services and makes initial recommendations related to the Medicare HMO risk contracting program. The conclusions and recommendations contained in the report provide the building blocks for the Commission's work in the next year.

In the past year, the Commission has reached decisions on a number of conceptual and technical issues related to the design of a fee schedule. The report indicates that the primary basis for determining the relative values of different services should be resource costs and describes the Commission's plans for an intensive evaluation of the resource-based relative value scale being developed for HCFA by William Hsiao.

The report concludes that payments under a fee schedule should reflect differences in costs of practice among geographic areas, calls for a national policy on specialty differentials in which payments for services that are essentially the same should be the same, and outlines a process the Commission is pursuing to standardize the coding of physician services. It also provides background analyses on the issues and policy options related to assignment and the participating physician program that the Commission will address in the coming year.

The report breaks new ground in the analysis of geographic variation in Medicare prevailing charges. It shows that variation, while substantial, is not as large as many had believed, and that differences in costs of practice explain relatively little of the variation from one locality to another. Charges in urban areas are higher than those in rural areas, on average, but most of this difference appears to be explained by differences in costs of practice. Based on this analysis, the Commission recommends establishing a floor on prevailing charges for primary care services, so that Medicare's screens for each service for a locality do not, after adjustment for costs of practice, fall below a fixed percentage of the national mean.

The Commission has given high priority to encouraging the appropriate use of services. The report suggests steps to make utilization review more effective, describes the potential of practice guidelines to moderate expenditures without diminishing quality of care, and examines the potential of expenditure targets to slow the rate of growth in the volume of services.

ESTIMATE FOR FISCAL YEAR 1989

The Commission requests $3.059 million for fiscal year 1989. This level would maintain a staff of 24 and provide the resources to support their work, cover Commission meeting expenses, and permit funding of grants and contracts for analyses to augment the work of the staff. This request represents an increase of $62,000 over the FY 88 appropriation level, reflecting a 2 percent increase in the Commission's budget. The additional funds are required primarily to cover the full annual costs associated with staff who are to be hired throughout FY 1988.

COMMISSION WORK PLAN

The funds requested for FY 1989 will support an ambitious work plan of policy analysis and data development that will provide the basis for Commission recommendations. The thrust of the Commission's agenda in the next year will be to continue development of a fee schedule proposal and to define methods to moderate expenditure growth that would not diminish access and quality for Medicare beneficiaries. It is not possible to review all the Commission's plans in this brief statement. We have described them in detail in the Commission's appropriation request submitted to this Committee last February. I will highlight some of the major areas of work the Commission will undertake in the next fiscal year.

Fee Schedule

The Commission's activities related to development of a fee schedule will fall into several broad areas:

Development of an RVS. The Commission will analyze alternative methodologies for developing a relative value scale based on resource costs. A major focus will be evaluation of the Hsiao study, including hearings to obtain the views of interest groups and a detailed assessement of the methodology and technical aspects of the study. If limitations in the study are identified, the Commission will consider developing modifications that may entail the resurveying of physicians and the use of consensus panels to assist in refining the scale. The Commission also plans to conduct simulations to determine the impact of alternative relative payments on different categories of physicians and beneficiaries.

Procedure Coding. The Commission will continue work begun in FY 1988 on the standardization of global surgical services and on the relative payments of closely related codes. In FY 1989, the Commission plans to survey physicians to assess whether current visit codes are interpreted and used uniformly and to analyze potential options for reform in the coding of visits.

Geographic Multipliers. The Commission's recent report indicates that payments under a fee schedule should reflect differences in the cost of practice among geographic areas. The Commission will continue to work on the development of a cost-of-practice index in FY 1989, determining what factors should be included in the index and focusing on how to construct the component of the index that reflects the physician's own time and effort.

Processes for Updating the Fee Schedule. The Commission plans to identify alternative processes for updating the fee schedule and to assess their feasibility and implications for participation of parties affected by physician payment policy decisions.

Assignment. The Commission will conduct additional analyses in FY 1989 to provide the basis for recommendations on the most appropriate policies related to assignment and charge limits under a fee schedule.

Utilization, Cost and Quality

The Commission will continue to study expenditure trends and to analyze factors contributing to increased outlays for physician services. It also will continue its work to strengthen utilization and quality review activities by carriers and PROs. It will focus its efforts in FY 1989 on practice guidelines and expenditure targets.

Practice Guidelines. The Commission will evaluate alternative methods for developing practice guidelines and explore how guidelines can be used most effectively by Medicare. To stimulate broader discussion and to engage physician and beneficiary groups in considering the potential of practice guidelines, the Commission will convene a conference to formulate a strategy to develop sound guidelines, disseminate them effectively, and encourage their use.

Expenditure Targets. The Commission will extend its analyses to determine the potential for a system of expenditure targets to provide collective incentives for physicians to reduce the use of inappropriate services.

Other areas the Commission will continue to explore or plans to add to its agenda include issues related to the Medicare HMO risk contracting program, Part B data system requirements for implementing physician payment reforms, selective contracting, payment for diagnostic services that have a substantial nonphysician component, academic physicians, and the relationship of Medicare physician payment reform to activities in the private sector.

The Commission has set an ambitious agenda for fiscal year 1989. With the resources that we have requested, we can take major steps toward accomplishing the goals of physician payment reform.

BIOGRAPHY OF KAREN DAVIS

Karen Davis, Ph.D., is Chairman of the Department of Health Policy and Management in the School of Hygiene and Public Health and has a Joint Appointment as Professor of Political Economy, Johns Hopkins University.

Previously held positions include Deputy Assistant Secretary for Planning and Evaluation/Health at the U.S. Department of Health and Human Services; Administrator of the Public Health Service Health Resources Administration; Senior Fellow at the Brookings Institution and Visiting Lecturer at Harvard University.

Dr. Davis is Director of The Commonwealth Fund Commission on Elderly People Living Alone. She also serves as Regional Editor USA/Canada for the journal Health Policy. In addition, she sits on several boards and committees, including membership on the Physician Payment Review Commission (PPRC) and serving as a consultant for the World Health Organization, European Regional Office. She is a member of the Institute of Medicine, National Academy of Sciences.

She is the author of numerous books and articles on health economics and policy analysis including Medicare Policy: New Directions for Health and Long-Term Care; Health and the War on Poverty: A Ten Year Appraisal; National Health Insurance: Benefits, Costs and Consequences.

Dr. Davis holds her Ph.D. from Rice University in economics.

BIOGRAPHY OF PAUL B. GINSBURG

Paul B. Ginsburg is the Executive Director of the Physician Payment Review Commission, which was created in 1986 to advise the Congress on Medicare payment issues.

Dr. Ginsburg has had long and varied experience in a wide variety of health care financing issues, including physician payment, hospital payment, health insurance, and alternative delivery systems. Much of his work has influenced the development of federal health policies.

From 1984 to 1986 he was a Senior Economist at The Rand Corporation, where he led projects on preferred provider organizations, Medicare prospective payment of hospitals, physician payment, and cost containment in employment-based health plans. Prior to that, he was Deputy Assistant Director for Income Security and Health at the Congressional Budget Office, where he prepared analyses for the Congress on federal health policy issues with significant budgetary implications. Dr. Ginsburg has served as an associate professor at Duke University and as an assistant professor at Michigan State University. He earned a doctorate in economics at Harvard University in 1971.

SUMMARY STATEMENT

Dr. DAVIS. Thank you, Mr. Chairman, and members of the committee. I am also pleased to be accompanied by Paul Ginsburg who is Executive Director of the Physician Payment Review Commission and is also available to answer any questions you may have.

I am very pleased to discuss the progress of the Commission the past year and its plans for the future. The Commission has had a solid record of accomplishments during its first year and a half of operation. It has charted a clear direction for physician payment policy, has provided advice to the Congress that has been reflected in the legislation and has laid the groundwork for Medicare reform.

The Commission issued its first report to Congress 1 year ago. In that report it established goals for physician payment reform and also set forth a framework for evaluating short-term changes in physician payment under Medicare as well as outlining the future analyses and work that the Commission needed to undertake.

Last year the committees with jurisdiction over Medicare asked the Commission's advice on how to meet the fiscal year 1988 congressional budget objectives for the Medicare program. The Commission made several recommendations, including a reduction in the fee update allowed by the Medicare economic index for all services except primary care. It also developed a methodology to identify procedures most overvalued by Medicare and recommended a reduction in prevailing charges for 13 procedures in all localities except those whose prevailing charges were substantially below the national average. In addition, it urged the Congress to consider an incentive payment for primary care services delivered in specified underserved areas.

The Commission's recommendations were meant to meet immediate budget objectives, but also to do so in a way that would be consistent with longer term reform. Each of its recommendations was reflected in provisions of the Omnibus Budget Reconciliation Act of 1987.

The Commission submitted its second annual report to Congress 2 weeks ago on March 31. In our second report we indicate that we believe the primary basis for a fee schedule under Medicare should be that the relative values of different services should reflect the resource costs that go into producing those services; the report describes the Commission's plans for an intensive evaluation of the resource-based relative value schedule being developed for the Health Care Financing Administration by Prof. William Hsiao.

Our report concludes that payments under a fee schedule should also reflect differences in cost of practice across different geographic areas, that there should be a national policy on specialty differentials in which payments for services that are essentially the same should be paid the same regardless of which physician provides them, and also that the coding of physician visits particularly and other services need to be standardized.

This report also breaks new ground in analyzing geographic variation in Medicare physician prevailing charges. We found that charges in urban areas are higher than those in rural areas, but that once you adjust for differences of the cost of practicing in those areas, that urban-rural differences disappear.

The Commission recommended in its report that we begin to establish a floor on prevailing charges for primary care services bringing up those geographic areas which have low prevailing charges after adjusting for the cost of practice.

We also suggest that steps need to be taken to make utilization review more effective, to explore the potential of practice guidelines for physicians and the potential of expenditure targets to give physicians a financial incentive to curb unnecessary growth in the volume or utilization of services.

In fiscal year 1989 the Commission is requesting a budget of $3.059 million. This would support a staff of 24, and the resources necessary to cover their work, as well as Commission expenses and additional analyses that would be provided under grants and contracts. This appropriation level is a 2-percent increase over the fiscal year 1988 level.

We do have an ambitious work plan of policy analysis and data development working toward a March 1989 report that would have legislative recommendations for fundamental reform in physician payment. Some of the analyses that we believe need to be done to prepare for such a recommendation include exploring alternative methodologies for developing a relative value schedule based upon resource costs and in particular doing a lot of analyses of the Hsiao study that will be issued this July.

We need to simulate the impact of alternative relative payment systems on different categories of beneficiaries, and on different categories of physicians.

We believe there needs to be greater standardization of global surgical services in looking at the relative payment of closely related codes.

We would like to survey physicians to assess where the current visit codes are interpreted and used uniformly and to analyze potential options for reform and the coding of visits.

We need to do additional work on the cost-of-practice index in order to make appropriate geographic adjustments in the physician fee schedule.

We also believe that additional work needs to be done on how the fee schedule would be updated over time.

And finally, analyses of whether there ought to be changes in assignment policies or limits on the maximum amount that physicians could charge beneficiaries under a fee schedule and, in particular, looking at the impact on beneficiaries and physicians of different options for setting limits on actual charges.

We would like to continue our work to strengthen utilization of quality review activities and focus our efforts on practice guidelines and expenditure targets.

In addition, we will be looking at Medicare/HMO risk contracting programs, the need for further improvements in the Medicare part B data system, payment for diagnostic services, the very difficult issues with regard to academic physicians based in teaching hospitals, and also at how the Medicare physician payment system ought to relate to what is done by private insurers.

In summary, the Commission has set an ambitious agenda for fiscal year 1989. With the resources we have requested, we can take major steps toward accomplishing the goals of physician payment reform. Thank you.

Senator CHILES. Thank you.

What has the Commission done in regard to looking at the problem of bundling where the doctors began to put all of these charges together? In other words, when the person used to come, they did not itemize all of the charges, but as you started into restraining costs, we see now they begin this bundling.

Dr. DAVIS. Well, we are very concerned by the very rapid increase in the number of services that are being billed for under the Medicare physician program. Last year we saw a very dramatic increase, and that led to a substantial increase in the Medicare program.

It is not clear what the source of this increase in quantity of service is, whether it is just physicians billing for additional services and itemizing separately, or whether it is a matter of their actually providing more and more tests. There seems to be some increase in surgery, particularly outpatient surgery.

But we do believe that probably we need to change the system to avoid unnecessary fractioning of services. We are looking at a global fee for surgical care, for example, that would look at the preoperative, operative care and postoperative care, and at paying for that as a single bundle.

We have looked at other bundling techniques, for example, paying physicians on the basis of diagnosis related groups just as we do hospitals, and found that bundling is too crude, and that there is a lot of variation in the actual services that different patients require within a given diagnostic category. But I don't know whether Dr. Ginsburg would like to comment additionally on that.

Dr. GINSBURG. You really covered many issues.

One thing I should go into because it is prominent in our work plan, is a portion of our work to prepare for a fee schedule. We have been working to refine, to make more precise and to standardize the bundling rules for surgical services so that it becomes clear which services associated with an operation should be paid as part of the bundle and which should be paid separately. There is some concern about a trend toward unbundling, and our efforts will contribute to dealing with that.

Senator CHILES. Well, I think from some of the hearings that we held in the Committee on Aging and all, it is a problem that really needs to be looked at. It looks like in some ways, many of the physicians are just staying ahead of what we are trying to do on cost containment and have found a method of getting to list and charge for all of these services which, in effect, rather than containing, we are seeing the charges even higher. It does not look like it is just isolated instances.

Dr. DAVIS. We share your concern about the growth in utilization. If you set a fee schedule, you're controlling the price, but not the quantity.

Senator CHILES. Yes; if you talk with the Blue Cross/Blue Shield people and the other payors in these things, they are seeing this so clearly and they can demonstrate it. It looks like it is something that we really have to try to deal with.

Dr. DAVIS. That's right. We have had a number of insurance companies testify before the Commission. We hold public hearings. We also invite witnesses to address us on certain issues, and it is because of that that we put a lot of emphasis in this report on utilization review activities, developing appropriate guidelines for what should be paid for under certain types of conditions, and also on the need to explore giving the physicians an incentive not to unbundle and increase the volume of services.

Senator CHILES. Absolutely.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Well, we may have a few more questions. We'll ask them for the record.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

MISSION OF THE COMMISSION

SENATOR CHILES: One of the Commission's tasks is to advise the Congress on the design and implementation of major changes in the way that Medicare pays physicians. What is the Commission's time agenda for presenting its recommendations to Congress? When do you think physician payment legislation will be enacted? Do you think that physician reform will be one piece of legislation, such as the Prospective Payment System? Or, do you expect that physician reform legislation will evolve over several years' time? How long do you estimate it will take to implement the new payment system? How long do you anticipate that Congress will require the services of the Commission?

DR. LEE: The Commission has already presented recommendations to Congress that have influenced legislation. In July 1987, the Commission testified before the Senate Finance Committee on policies to meet the budget targets for 1988. It recommended a reduction in the update of the Medicare economic index, but that primary care services be granted a full update. It also identified 13 procedures as being overvalued by Medicare and recommended reductions in prevailing charges for those procedures. It also recommended an incentive payment for primary care services delivered in underserved areas. Each of these recommendations was reflected in the Omnibus Budget Reconciliation Act of 1987.

In the Commission's 1988 report to Congress, recommendations were made concerning a floor on payments for primary care services and refinement of the mechanism for setting capitation rates for HMOs. In addition, many chapters indicate the Commission's thinking on key issues, and give the public insight into the likely directions to be pursued.

The Commission plans next year to have a comprehensive set of recommendations for a Medicare fee schedule to be transmitted to Congress. In addition, it is developing recommendations on a variety of options to deal with cost increases associated with increasing use of services.

Important legislation dealing with physician payment has been enacted in 1984, 1986, and 1987. Legislation establishing a fee schedule is likely to be considered in 1989 or 1990. Physician payment reform is likely to be a combination of evolutionary steps, such as we have seen since 1984 and a major step to come during the next Congress. While annual budget reconciliation bills have permitted Congress to set incrementally a clear direction concerning physician payment reform, the fee schedule must ultimately be authorized in a major piece of legislation.

If a fee schedule were enacted, ample time should be allowed for implementation. Such tasks as standardization of carrier policies on coding and specialty differentials will need to be carried out at the same time as a fee schedule is implemented. Thus, if Congress passed legislation in September of 1989, implementation could not begin on January 1, 1990, but could begin on January 1, 1991.

Concerning the role of the Commission in the future, I would anticipate that it will have an important role to play for a number of years after enactment of a fee schedule. As in the case of hospital prospective payment, updating and refinement would certainly be needed. The Commission's role at that point would be closer to that of the Prospective Payment Assessment Commission. In addition, policy responses to cost increases beyond the fee schedule will be needed.

PARTICIPATING PHYSICIANS PROGRAM AND PROMPT PAYMENT OF CLAIMS

SENATOR CHILES: Last year when the Commission testified before us, we discussed whether or not prompt payment of claims would encourage physicians to become participating physicians in the Medicare program. At that time, the Commission said it would study this problem further. What have you found out?

DR. LEE: As you know, the Omnibus Budget Reconciliation Act of 1986 (OBRA86) initiated prompt payment standards, currently 19 days for participating physicians (PAR) claims and 26 days for non-PAR claims. Evidence suggests that this processing time differential was not a major incentive to participate during the 1988 PAR enrollment periods. (In addition to statistical analyses, evidence includes extensive conversations between Commission staff and the carriers' provider relations staff.) There are several possible explanations for this.

The overall improvement in processing time resulting from the OBRA86 standards may have reduced the intensity of prompt payment as an issue. At any rate, the processing time differential between PARs and non-PARs may not be substantial enough to influence physicians. We know that assignment status affects de facto processing time more than PAR status. In practice, processing times for non-PAR assigned claims are extremely close to those for PAR claims (generally the difference is less than one day). In many areas, even the average processing time for unassigned claims is just a few days behind the average for PARs. The Health Care Financing Administration (HCFA) reports that as of the first quarter of 1987, 93% of PAR physician claims were meeting the 19 day standard, while 95% of all Part B claims were being paid in 26 days or less.

Another explanation is simply that other factors overshadow processing time as incentives or disincentives to participate (general fee levels, the prevailing charge differential between PARS and non-PARS, participating physicians' directories, maximum allowable actual charges (MAACs), etc.).

SENATOR CHILES: Have any doctors dropped out from taking assignment because of delays in claims processing?

DR. LEE: We cannot determine this empirically. However, given significant improvements in processing times for assigned claims achieved during the fall of 1987, we do know that such behavior is much less likely now than it was one or two years ago. (Ninety-seven percent of assigned physician claims are currently being processed in 26 days or less.)

SENATOR CHILES: Does your research say anything about how well the beneficiaries have fared under the participating physicians program and prompt payment of claims?

DR. LEE: At the national level, we know that the percent of covered charges attributable to PAR physicians is increasing. In 1987, approximately 47% of covered charges derived from services provided by PARs, compared to 36% in 1984-85, the first year of the program. Nationally, then, nearly half of program dollars are being spent on services for which the beneficiary is not at risk for balance billing.

However, participation rates demonstrate significant geographic and specialty variation. (The percent of physicians signing PAR agreements ranges from 10% to 70% among states, averaging 30%. Participation rates among specialties ranged from 20% to 43% in 1987.) Thus, the ability of a beneficiary to find an appropriate participating physician depends greatly on where the beneficiary lives and what type of care the beneficiary requires.

This question is addressed in more detail in the Commission's 1988 Report to Congress, pages 140-143.

ALTERNATE MEDICARE PROGRAMS - PRIVATE OPTIONS

SENATOR CHILES: The current Administration favors expanding the role of private health plans in meeting the needs of Medicare beneficiaries. Yet, in the past year, we have seen some private plans go belly up, and put those Medicare beneficiaries on the street, so to speak, regarding their health care needs. What recommendations has the Commission made to prevent this kind of disruption?

DR. LEE: The current Health Maintenance Organization (HMO) payment mechanism is a major factor contributing to the displacement of beneficiaries from HMOs. Failure to adjust for differences in case-mix leads to underpayment of some HMOs and overpayment of others. Year-to-year fluctuations and geographic variations in per capita payments makes it difficult for HMOs to adequately plan to meet the needs of their Medicare enrollees. Inadequate reimbursement may lead to a deterioration in quality, limitations on access, financial insolvency and/or HMO withdrawal from the Tax Equity and Fiscal Responsibility Act (TEFRA) risk contracting program.

The Commission has recommended that Medicare per capita payments to HMOs be adjusted for the health status of the HMO's enrollees and that a lower limit or floor be placed on the average adjusted per capita payment (AAPCC). The incorporation of a health status adjustment will lead to more equitable payments to individual HMOs, as well as insure that Medicare program expenditures under the TEFRA risk contracting program do not exceed those that would have been incurred had the beneficiaries remained in the fee-for-service system. Placing a floor on the AAPCC will minimize geographic variations and financially assist HMOs in underserved areas. The Commission's report also acknowledges the many limitations of the current actuarial process and data used to calculate per capita payments, and has encouraged the Health Care Financing Administration (HCFA) to act expeditiously to resolve these problems.

SENATOR CHILES: What quality of care recommendations, concerning these private plans, has the Commission considered?

DR. LEE: The Commission is particularly concerned about private plans whose organizational structures, management processes and quality control systems are inadequate to insure the provision of high quality care. It has recommended that all private plans with risk contracts be subject to a periodic accreditation process focusing on those aspects of an HMO's organization and operations that influence quality, including an internal quality assurance program, appropriate physician compensation arrangements, a governing body actively involved in making and implementing policy, a comprehensive medical record system, an effective process for coordinating and monitoring care, professional education programs, the availability of necessary emergency and urgent care services, a method of responding to patient complaints and resolving grievances, disclosure of relevant aspects of the plan's operations (such as the method of compensating physicians and the scope of benefits covered) to physicians and enrollees, and a method of assessing patient satisfaction.

The Commission has also recommended that current Medicare program quality review activities be enhanced through the adoption of formal mechanisms for the development of standards and criteria for medical practice to be used by Peer Review Organizations, and the specification of a minimum clinical data set and reporting requirements.

SENATOR CHILES: Have any of your recommendations been implemented?

DR. LEE: Earlier reports and recommendations of the Commission have had a significant impact on the Medicare program, consequently, it is anticipated that the recommendations in this most recent report will receive serious consideration.

USE OF CONSENSUS PANELS

SENATOR CHILES: In previous testimony, you have stated that the Commission will use consensus panels in making certain recommendations to the Congress. What are consensus panels, and who sits on these panels?

DR. LEE: Consensus panels are groups of experts who participate in structured processes drawing on available data and using their informed judgments to reach decisions in the absence of conclusive information. Members of the consensus panels planned by the Commission will include physicians, beneficiaries, medical directors of Medicare carriers and others whose expertise is required for the specific issues to be addressed by the various panels.

SENATOR CHILES: How does the Commission utilize these panels?

DR. LEE: The Commission is in the process of setting up an interspecialty consensus panel to develop a generic description of global surgical services. The members of the panel will include representatives of all specialties involved in surgical care of Medicare patients, representatives of selected carriers, and representatives of beneficiaries. The Commission also is considering the use of consensus panels on issues related to relative values, including examining the relative values of closely related codes and advising on possible adjustments in the relative value scale being developed by William Hsiao at Harvard University.

SENATOR CHILES: Have any of these panels met?

DR. LEE: We expect the interspecialty panel on global surgical services to begin its work in June.

OVER-UTILIZATION OF DOCTORS' SERVICES

SENATOR CHILES: Last year, Medicare Part B payments (primarily doctor services) increased 22 percent, while the number of beneficiaries and general inflation rose by a combined total of only 5 percent. What is happening here? Are doctors controlling the Medicare program by increasing the demand for their services?

DR. LEE: Though increases in physicians' charges for services are contributing to the increase in expenditures, steady and rapid increases in the volume of services are the primary driving force. Because the composition of the increase in volume and its causes are not well understood, it is difficult to establish policies to control growth in the volume of services. For instance, we do not know whether a substantial fraction of the increase represents physician-induced increases in demand, or how much of the increase represents services that are of little or no benefit to patients. The Commission is working to understand the causes of the rapid growth in the volume of services, and to develop ways to control growth without compromising access and quality of care for Medicare beneficiaries.

SENATOR CHILES: What research and recommendations has the Commission made to the Congress to control these increases?

DR. LEE: The Commission has completed a preliminary analysis of the composition of the increase in physicians' services, and will extend its analysis as additional Medicare data becomes available. This analysis and work by other government agencies including the Health Care Financing Administration (HCFA) and the General Accounting Office will provide a foundation for future policy to control growth of expenditures without reducing quality and access to care for beneficiaries. The Commission's 1988 Report to Congress discusses its progress to date toward developing the outlines of such a policy.

Last year, the Commission also made recommendations to Congress to reduce budgeted expenditures for physicians' services that would be consistent with longer term reform, including reductions in prevailing charge updates for all physicians' services except for primary care services, and additional reductions in prevailing charges for thirteen procedures the Commission identified as overvalued. In addition, the Commission recommended against the implementation of diagnosis related groups (DRGs)for radiologists, anesthesiologists, and pathologists.

SENATOR CHILES: Has the Congress acted upon your recommendations?

DR. LEE: The Commission is pleased to have contributed to the Congress's policies in this area. Many of the Commission's recommendations were reflected in the Omnibus Budget Reconciliation Act of 1987.

SENATOR CHILES: Have you received any flak from the physician community about your recommendations?

DR. LEE: The response from the physician community has been largely positive. Most of the physicians and physician organizations that have spoken to the Commission have said that the Commission's recommendations were fair and well thought out, even if they did not support the recommendations. Several physician organizations, however, suggested that there should be no reductions in the scheduled updates for prevailing charges for physician services, and others preferred an across-the-board reduction to the more selective reductions recommended by the Commission and enacted by Congress.

PATIENT OUTCOME RESEARCH - REDUCING USE OF UNNECESSARY MEDICAL PROCEDURES

SENATOR CHILES: Last year this Committee provided $1.9 million to the Department of Health and Human Services for research on patient outcomes of certain medical treatments and procedures, that is, research to see if certain medical procedures are appropriate, necessary, and effective. For example, research has shown there is unnecessary use of lab tests, radiological procedures, hospital admissions and days of care, surgical procedures, and use of drugs in the treatment of patients. It seems to me that the Commission might use this type of information to decide whether or not Medicare is paying too much, or should pay at all, for certain physician services. Does the Commission use this type of research?

DR. LEE: Research to understand the effectiveness and necessity of services for patients is essential if physicians, patients, and policymakers are to be able to determine which services patients need. The Commission believes that an effective strategy to control growth in Medicare expenditures must focus on reducing services that are of little or no benefit to patients. By reducing these unnecessary services, the rate of growth of expenditures can be slowed without reducing access or quality of care. The research supported by these funds provides the knowledge base for efforts to selectively reduce services of least benefit. For example, knowledge of the outcomes of medical practices can be used to develop clinical practice guidelines to help doctors give their patients efficient and effective care. It can also allow reviewers such as Peer Review Organizations to determine which services are not necessary for the patients, and should not be paid for.

1988 REPORT TO CONGRESS - PHYSICIAN PRACTICE GUIDELINES

SENATOR CHILES: One method of reducing the unnecessary use of medical procedures and services is for doctors to treat patients with similar problems in similar manners.

In your March 1988 Annual Report to Congress, you discuss developing practice guidelines for physicians. These guidelines would essentially be clinical recommendations for patient care. For example, these guidelines would recommend the use of particular diagnostic tests and subsequent treatment for a patient who had a chest pain. These same guidelines would be used by a doctor in Florida as well as a doctor in Washington, D.C., or anywhere else in the United States. How will these guidelines be developed and implemented? What incentives will encourage doctors to follow these guidelines?

DR. LEE: The Commission is now actively exploring how guidelines should be developed and used. It plans a conference of physician groups, payers, and experts in the development and use of guidelines to address these questions.

The Commission believes that good practice guidelines will be accepted and implemented by the physician community. Physicians want to provide their patients with the most appropriate care. Practice guidelines will help physicians to reach their own goals while helping all of us live within society's limited resources. Practice guidelines also have a positive character--they describe what is best for the patient--rather than focusing on what physicians should not do. Physicians have voiced considerable support for the Commission's work in this area. In fact, many medical specialty societies are already developing or planning to develop practice guidelines.

PAYMENTS TO RADIOLOGISTS, ANESTHESIOLOGISTS, AND PATHOLOGISTS (RAPS)

SENATOR CHILES: Last year the Administration proposed incorporating the payment for services of certain hospital-based doctors--radiologists, anesthesiologists, and pathologists--into the prospective payment system. Then, in last year's reconciliation bill, we saw that radiologists will be paid under a fee schedule, effective in January, 1989. The reconciliation law also states that a fee schedule should be developed for pathologists, to go into effect for 1990. What role will the Commission play in developing these fee schedules?

DR. LEE: The reconciliation law specifies that the fee schedule for services of radiologists is to be developed by the Secretary of Health and Human Services in consultation with the American College of Radiology and the Physician Payment Review Commission. The Commission is pleased to offer its consultation, and is in contact with the Department of Health and Human Services.

SENATOR CHILES: Will the Commission develop fee schedules for each medical specialty over several years' time?

DR. LEE: The Commission does not anticipate developing separate fee schedules for different specialties, except for its role as consultant to the Secretary in the development of a fee schedule for radiology services, and perhaps pathology services at a later date. Rather, the Commission will concentrate on development of a recommendation to Congress for a comprehensive fee schedule for all physicians' services. The Commission considers the development of that fee schedule to be its most important task. The Commission's 1988 Report to Congress describes the Commission's work to develop a fee schedule for all physicians' services.

FISCAL YEAR 1989 BUDGET REQUEST

SENATOR CHILES: Your fiscal year 1989 budget includes $510,000 for data processing. This represents 17 percent of your budget request of $3,059,000. What do your data processing requirements include?

Dr. LEE: The data processing funds cover two main categories of activity; extramural computer programming support, and mainframe computing. Analyzing patterns in Medicare physician reimbursement in any year means analyzing patterns across millions of data records, a task requiring considerable computer programming expertise and heavy use of large mainframe computers.

We anticipate much heavier use of computer programming and computer system support services this year in contrast to last year. Many of the policy questions the Commission will address this year are amenable to data analysis; planned for this year are several impact analyses or simulations of proposed changes in Medicare's traditional method of reimbursing physicians.

For example, the Commission will press forward with detailed simulations of the impacts of replacing the existing customary, prevailing, and reasonable charge reimbursement system with an array of alternative Medicare fee schedules. This is an ambitious undertaking comprised of many separate analytic tasks. It alone could easily place much greater demands on data processing resources than did the analysis of geographic variation in physicians' charges featured in our report to Congress this year.

Also during the year, the Commission will conduct several major analyses of geographic variation in Medicare expenditures and costs which will be heavily dependent on data processing support. In one set of analyses the Commission will examine variation in per capita Medicare expenditures across small geographic areas and over time. Ultimately, that effort will include a simulation of the impacts of setting Medicare expenditure targets in small areas. Another analysis scheduled for the coming year will examine geographic variation in average adjusted per capita costs (AAPCC), Medicare's basis for reimbursing prepaid health plans which enroll Medicare patients. As part of that effort, the Commission plans to simulate the impact of imposing a floor on AAPCC values across the country.

In sum, informed answers to many of the most pressing issues in Medicare physician reimbursement policy are obtainable only after careful empirical analysis. The Medicare physician payment data files we plan to examine are much larger than hospital data files, for example, and are notorious among researchers for their complexity and cost in analysis. The Commission's budget for mainframe computing support is in keeping with the magnitude and complexity of the data bases with which it must work.

Our fiscal year 1989 data processing budget also covers the cost of computer programmers projected to meet the needs of the Commission. We believe it is more efficient and cost effective to retain an outside computer contractor than to hire full time computer programmers in sufficient number to meet peak demand by Commission staff. In rough numbers, there is a need for 1.5 to 2.0 full time equivalent programmers annually. However, given the nature of the analyses done by staff, the demand for programming might be zero hours in one week and 200 hours in another. Those peaks and valleys in demands are most easily met using the services of a computer programming contractor.

SENATOR CHILES: Will the Commission maintain its own large volume data bases to conduct research?

DR. LEE: The Commission does maintain its own data files. While these files are large by research standards the cost of acquiring and storing them is a small fraction of the computer budget.

Furthermore, real advantages accrue to the government when the Commission maintains its own data files at the computer center best able to meet its computational needs. Timely data analysis continues to be critical to the Commission's ability to meet its Congressional mandate; a key to timely analysis is the level of support provided by the computer center being used. Government computer centers vary greatly in that respect, the best ones from the Commission's prospective are geared primarily to support research rather than being primarily administrative computing centers. The Commission can fully exploit the advantages of a research oriented computer center only by maintaining its own analytic data bases therein.

SENATOR CHILES: Do you project these costs to increase in the future?

DR. LEE: We project that the budget estimate for FY89 will be the steady state level for computer and programming costs, except for inflation. There is some uncertainty, however, given that the Commission has not yet had very much operating experience in this area. More experience could lead to costs for computer and programming services that are either higher or lower than the FY89 budget estimate.

QUESTION SUBMITTED BY SENATOR DANIEL K. INOUYE

REAPPOINTMENT OF COMMISSIONERS

SENATOR INOUYE: I would like to learn more about how the Commission makes its determinations regarding the reappointment of Commissioners. It is my understanding, for example, the four Commissioners have had their terms expire recently. Can you tell me the criteria with which you judge whether particular Commissioners are to be reappointed, and the process through which you make such determinations? Are these decisions reviewed by Congress?

DR. LEE: Decisions concerning appointment and reappointment of Commissioners are made by the Director of the Office of Technology Assessment (OTA). Concerning reappointments, I know that OTA solicits widely the views of many in Congress and in interest groups as to the contribution to the Commission's work of those individuals being considered. While these decisions are not reviewed by Congress, I know that OTA consults extensively with Members of Congress and their staff before coming to decisions on appointments.

QUESTIONS SUBMITTED BY SENATOR LOWELL P. WEICKER, JR.

COMMISSION BUDGET

SENATOR WEICKER: The Commission's budget justification indicates that while funding for administration and management is requested to rise 4% over fiscal year 1988, the request for policy analysis and data development is reduced 20% over the last fiscal year. Does the Commission anticipate a reduction in the need for these funds, or is the request reflective of the constraints placed on the Commission by the OMB? What was the Commission's original request to the OMB?

DR. LEE: The Commission's authorizing legislation directs it to file budget requests in the same manner as the Office of Technology Assessment. Thus, budget requests do not go to the Office of Management and Budget but go directly to the Committee on Appropriations. Nevertheless, the lower amount requested for policy analysis and data development does reflect the constrained budget environment.

The delay in last year's appropriations process until December 21 and the uncertainty surrounding it caused substantial delays in the Commission's pursuing its policy analysis and data development program. Since the Commission's 1987 budget was a start-up one, the temporary continuing resolutions precluded our funding any outside grants and contracts. Then came an intensive period of preparing our 1988 report to Congress, further delaying the development of outside projects.

SENATOR WEICKER: What level of funding would be necessary to maintain the level of policy analysis and data development provided to the Commission in FY88?

DR. LEE: At the time of preparation of our budget request, we had obligated only a small fraction of our 1988 budget for outside grants and contracts. Given the lack of experience in funding outside projects at that time, we felt unable to make a strong case for a total budget increase beyond the norm of 102 percent of the 1988 level in order to prevent a decline in this specific part of our budget. Having planned our program of policy analysis and data development for 1988 and 1989, a summary of which was submitted for the record of our House appropriations hearing, we feel that we could use 1989 funds at the 1988 level in a highly productive manner. To maintain the level of activity in policy analysis and data development would require an additional $175,000 beyond the level requested.

PROGRESS ON FEE SCHEDULE

SENATOR WEICKER: What progress do you anticipate in FY89 regarding the Medicare fee schedule? What issues would remain to be determined once the fee schedule is developed?

DR. LEE: The Commission has developed an ambitious work plan to make progress toward development of a fee schedule proposal in FY89 and to assess potential approaches for moderating increases in expenditures for physician services. The Commission's work during the rest of FY88 and FY89 is expected to lead to recommendations on a fee schedule for Medicare related to defining a relative value scale, setting policies on geographic multipliers and specialty differentials, standardizing the use of procedure codes, and establishing a process for updating the fee schedule. During FY89, the Commission is also likely to make recommendations related to policies on assignment and charge limits. We expect that once the major elements of a fee schedule proposal are defined, there will be a number of technical issues that the Commission will continue to work on that are essential to the implementation and updating of the fee schedule and to the transition from the current payment system to the fee schedule.

The Commission is also exploring additional changes that will require more time before policy recommendations can be made. For example, the Commission is assessing the degree to which current visit codes accurately reflect resource costs. If it is determined that major problems exist with the current definitions and use of visit codes, the Commission may recommend a reform in visit codes. Because of the time required to conduct the analysis, it is expected that any such visit code reform would not be incorporated into the initial fee schedule proposal but would be introduced later as a modification of the fee schedule. The Commission also will continue to examine specific methods for slowing the growth in the volume of services and associated Medicare outlays, including practice guidelines and expenditure targets, in order to make policy recommendations to Congress. It expects there will be further work on issues related to carrier implementation of both the fee schedule and policy changes related to utilization and quality review. The Commission will continually modify the current Part B data system to improve the ability of Medicare to implement the reforms in physician payment and to monitor and evaluate the impact of those reforms. In addition, it will continue to examine the potential of alternative methods of paying physicians and will consider further improvements in the Medicare Health Maintenance Organization (HMO) risk contracting program.

NATIONAL LABOR RELATIONS BOARD

STATEMENTS OF:
JAMES M. STEPHENS, CHAIRMAN
ROSEMARY M. COLLYER, GENERAL COUNSEL

ACCOMPANIED BY:
LEE D. VINCENT, COMPTROLLER
JOHN E. HIGGINS, JR., DEPUTY GENERAL COUNSEL
JOHN C. TRUESDALE, EXECUTIVE SECRETARY
MELVIN J. WELLES, CHIEF ADMINISTRATIVE LAW JUDGE

PREPARED STATEMENTS

Senator CHILES. We will now hear from James M. Stephens, the Chairman of the National Labor Relations Board.

Mr. Stephens, you are used to being on this side of the table, so to speak.

Mr. STEPHENS. That's right.

Senator CHILES. But we welcome you back on the other side, and we will ask you to introduce your other witnesses.

I understand Ms. Collyer will also have a short statement to make as well. Both statements will be placed in the record. And you well understand the constraints of time in which we have to work.

[The statement follows:]

STATEMENT OF JAMES M. STEPHENS

I welcome this opportunity to appear before you as Chairman of the National Labor Relations Board to present the Agency's budget request for Fiscal Year 1989. In accordance with normal procedure, the Agency has already submitted to you a detailed Fiscal Year 1989 Justification. In my testimony today I would like to touch briefly on some of the highlights of that Justification statement and make a few additional comments as well.

For Fiscal Year 1989, the NLRB is requesting an appropriation of $138,647,000 compared to total anticipated 1988 funding of $133,097,000.

The Budget request before you for 1989 is the product of an analysis of the NLRB's best current estimate of: the number of cases that the Agency will receive in 1989; how these cases will be resolved (that is, whether by settlement, dismissal, withdrawal, trial, etc.); the number of staff-years of employment needed, based on targeted rates of productivity; and, finally, the direct costs and support costs required to handle the anticipated caseload.

The Budget request presented to you today projects that the NLRB's case intake in 1989 will increase by about 2.0 percent, while staff will increase by less than 1 percent and funds increase by 4.2 percent. Our budget request embodies our fundamental objective of responding appropriately to every case on our docket in each year. With the combination of a moderate degree of staff attrition and an increase in case intake, we will be in a position to handle our cases on a timely basis and show higher productivity rates throughout the casehandling pipeline.

The total 1989 cost increase from 1988 is $5,550,000. The increased funding is necessary to meet normal operating expense requirements and employment expenses that are not completely offset by our expected level of attrition and productivity achievement.

ADMINISTRATIVE LAW JUDGES

Directly under the responsibility of the Chairman and the Board are the Division of Administrative Law Judges and the staffs of the Board Members. I would like to briefly address these two areas at this time. The General Counsel has statutory responsibility for the investigation and prosecution of cases. She will be addressing these concerns separately.

In 1987 our Administrative Law Judges closed 631 hearings, issued 586 decisions and obtained 577 settlements, 357 in person and another 220 by means of conference calls. Along with a recent decline in case intake a significant factor in this achievement is the emphasis within the Division of Administrative Law Judges, and in the operations under the responsibility of the General Counsel, on settling cases whenever possible. This settlement emphasis is critical, not only because settlements eventually save the Agency a great deal in litigation costs, but also because the parties themselves avoid the delays and cost inherent in the formal trial process and subsequent consideration by the Board and the Courts of Appeals. The cost effects of fluctuations in the settlement rate, of course, do not all occur in the same fiscal year, but depend on when the cases would move through subsequent stages of disposition.

MEMBERS' STAFFS

Under present Budget estimates the Board Members will be faced with the task of deciding 841 contested unfair labor practice cases in 1988 and 883 in 1989. In 1987, the Board decided 715 unfair labor practice cases and 303 contested representation cases. Present estimates call for the Board to decide 385 contested representation cases in 1988 and 393 in 1989.

The Board has for the third year in a row succeeded in lowering its backlog of undecided cases. The backlog reached its all time high of 1,628 unfair labor practice and representation cases in February, 1984. At the end of February 1988 the backlog had declined to 773 cases, a drop of 855 cases or 53 percent. We have achieved this reduction without increasing the number of staff attorneys assigned to each Board Member and despite various funding reductions mandated by deficit reduction goals. While some of the backlog reduction can be attributed to a drop in case intake, the reduction continued in 1987 without the details of employees from offices of the General Counsel that we had used in the preceding years. The budget for 1989 anticipates that the Board will continue to reduce the number of cases awaiting its decision.

There has been an increase in recent years in the number of representation matters coming to the Board for decision, and I should also note that, in addition to numerous initial decisions in contested election cases, the Board also rules on several hundred other appeals and requests for review of decisions by the Regional Directors. In these types of cases, our budget also provides for keeping current despite an increasing workload.

CONCLUSION

It is my firm belief that the process afforded by the NLRB to resolve conflict is an essential contribution to an efficient United States economy. It is my intention to assure that the Agency will do all that is possible to resolve the labor disputes within its jurisdiction in a timely, professional manner. I offer you my further commitment to assuring that the NLRB's mission is carried out expeditiously and in the most cost-effective manner.

STATEMENT OF ROSEMARY M. COLLYER

Mr. Chairman and distinguished Members of the Subcommittee: I am pleased to appear before you as General Counsel of the National Labor Relations Board in support of this Agency's budget request for Fiscal Year 1989.

For Fiscal Year 1989 we present a budget request for $138,647,000, an increase of $5,550,000 from the 1988 total funding of $133,097,000. Of the increase of $5,550,000 we seek, fully $4,089,000 will be for mandated increases, primarily in payroll and benefits. The NLRB's 1989 request will support all normal Agency casehandling operations. It will provide the funds necessary to process, in 1989, 33,638 unfair labor practice cases and 7,814 representation petitions: a total case increase of about 2.0 percent over 1988. The total 1989 staff request for the Agency is for 2,310 FTE.

As part of the normal budget process, the Agency has already submitted a detailed "Justification of Estimates for Fiscal Year 1989". I would like to take this opportunity to review in greater detail the responsibilities of the office of the General Counsel, highlight our accomplishments in Fiscal Year 1987, and talk about the outlook for Fiscal Years 1988 and 1989.

RESPONSIBILITIES OF THE OFFICE OF THE GENERAL COUNSEL

As you know, the National Labor Relations Act (29 U.S.C. 141-167) provides that "the General Counsel shall exercise general supervision over all attorneys employed by the Board (other than Administrative Law Judges and legal assistants to Board Members) and over the officers and employees in the Regional Offices. He shall have final authority on behalf of the Board, in respect of the investigation of charges and issuance of complaints under Section 10, and in respect of the prosecution of such complaints before the Board, and shall have such other duties as the Board may prescribe..."

As a result of this statutory authority, the General Counsel supervises the Agency's field establishment of thirty-three regional offices. It is those Regional Offices that receive unfair labor practice charges, investigate them, determine their merit, and then, as to those cases deemed meritorious, settle or prosecute them. Under authority delegated by the Board, the Regional Directors also receive and process representation petitions; determine appropriate units for employee representation; conduct elections; resolve allegations of objectionable election conduct, and certify election results. Additionally, the General Counsel pursues enforcement of Board decisions by litigation in the Circuit Courts of Appeals and the Supreme Court.

The Agency does not have complete control over its case intake. It must respond to all inquiries concerning possible violations of the National Labor Relations Act. When an unfair labor practice charge is filed at one of the Agency's 33 regional offices, 3 sub-regional offices or 16 resident offices, it begins to move through what can be described as a casehandling "pipeline". The newly filed charge is investigated first for merit and, if found to be meritorious, the parties are encouraged to settle without further action. Non-meritorious cases are withdrawn or dismissed. If a case is found to have merit and no initial settlement is reached, then a complaint is issued and a hearing held before an Administrative Law Judge. Following the hearing and the Judge's decision, there may be further appeals to the Board and the Courts of Appeals. At any point in the process the parties may reach a settlement which, if approved, obviates the need for further proceedings.

Because each unfair labor practice charge brought before the Agency must be resolved, and because ever greater amounts of time and resources must be devoted to achieving the resolution of a case the further it proceeds along the Agency's casehandling "pipeline", we have defined four major objectives which must be met in order for the Agency to effectively enforce the NLRA and thereby facilitate the nation's economic growth. These objectives are, first, to carefully screen out clearly non-meritorious cases; second, to maintain the NLRB's traditionally high settlement rate; third, to continue to develop more efficient means of casehandling in order to process quickly and fairly the maximum number of cases; and fourth, to achieve these objectives with a commitment to maintaining and improving the quality of our service to the public.

In order to meet the first challenge, the Office of the General Counsel utilizes an intensive public information officer program in our field offices. This program seeks to provide help to those who contact our offices about their concerns. Careful attention at this early, prefiling stage assures that we can screen out many no-merit charges, thus saving Agency resources which would otherwise be expended in investigating non-meritorious charges if they were filed. It is through the administration of this important program that many thousands of persons are provided with guidance as to what this Agency can and cannot do for them, whether or not they should file a charge and, as appropriate, the identities and locations of other Federal or State agencies to which they might be referred for assistance. The effectiveness of this program is demonstrated by the fact that during Fiscal Year 1987 this Agency's field offices handled 199,110 such contacts from employees, unions and employers, of which only about 11,645 or 5.8% resulted in the filing of an unfair labor practice charge. (Approximately 20,598 additional charges were filed directly during FY 87.) Since the beginning of the Information Officer Program in 1980, the rate of acceptance of charges has dropped from a high 9.2% to the present rate of 5.8% in FY 1987. This means that in FY 1987 alone, an additional 6,600 charges would have been received and would have required investigation had the rate of acceptance been 9.2%. Thus, the Regions through this program minimize the chances of non-meritorious case filings that would have drained already limited resources.

The second challenge, achieving the maximum number of settlements, involves a great deal of preparation, time, and effort on the part of the staff of the Office of the General Counsel. Administrative Law Judges will also aid the parties in an effort to reach a proper settlement. Even in the highly simplified picture of the Agency's case "pipeline" just discussed, it is apparent that as a case progresses from the initial investigation by our field staff to its litigation before the Board and in the courts, the drain on Agency resources becomes increasingly severe. In fact, a decrease of 1 percent in the settlement rate for meritorious cases may result in an additional cost to the Agency of more than one million dollars by the time all of the additional work generated by fully litigating such cases is completed.

The third challenge faced by the Office of the General Counsel and the rest of the Agency is the ongoing necessity of quickly processing the maximum number of cases within our budget constraints with fairness to all concerned parties. The NLRB has a long history of increasing its level of productivity and its success has been documented by the Bureau of Labor Statistics, the Office of Personnel Management and by the Comptroller General.

Finally, and equally important, we are committed to maintaining quality casehandling and providing effective remedial action in Agency proceedings. This is accomplished by means of an extensive Quality Review program and careful attention to the training of our professional and support staffs.

Accomplishments in Fiscal Year 1987

The record of the Office of the General Counsel in 1987 reflects the careful attention given to our obligations under the NLRA and to our obligation to conserve public funds. Both the Washington and Field offices under the General Counsel's responsibility have consistently been able to maintain a high level of service to the public. These staffs are composed of hard working and dedicated public servants and it is their commitment, together with the assistance of this Committee in the budget process, that has made this fine record possible.

The NLRB's level of service is reflected in these 1987 operating achievements:

1. Case Intake. The Regional Offices accepted and began processing 39,888 total cases. The 32,243 unfair labor practice cases filed represent a decrease of 4.6 percent from those filed in Fiscal Year 1986. There were 7,645 representation cases filed, a decrease of 2.8 percent from 1986.
2. Unfair Labor Practice Case Dispositions. Of the unfair labor practice charges filed, 33.6 percent were found to have merit, compared to the 33.7 percent in 1986. The settlement rate was 93.4 percent, close to the 93.5 percent achieved in 1986. A total of 2,900 complaints were issued in a median time of 45 days, the same as in 1986. The Agency closed approximately the same number of cases as were received.
3. Litigation Results. The 82.8 percent of Board and Administrative Law Judge decisions won in whole or in part in Fiscal Year 1987 is

an increase over the 82.4 percent litigation rate in Fiscal Year 1986.

4. Representation Case Performance. The Regional Offices conducted about 4,173 initial elections of which 83.0 percent were pursuant to agreement of the parties; in 1986, the corresponding figures were 4,380 elections and 83.8 percent election agreements. Regional directors issued 905 decisions in contested representation cases after hearing in a median time of 43 days, compared to the 902 decisions which issued in a median time of 42 days in 1986. There were 1,206 initial representation and union deauthorization hearings in 1987, compared to 1,235 in 1986.

5. Productivity. In 1987, as in 1986, productivity was affected by a decline in case intake which occurred at a greater rate than staff attrition. Productivity is budgeted to increase substantially in 1988 as the imbalance of recent years between caseload and staff is rectified; productivity should increase significantly in 1989.

6. Injunction Activity. During Fiscal Year 1987, the Regional Offices submitted 155 Section 10(j) cases to the Division of Advice compared to 163 cases in 1986. The Board authorized 10(j) injunction petitions in 37 cases in 1987 compared to 43 in 1986.

   The Regional Offices filed 68 petitions for Section 10(l) injunctions in the U. S. District Courts. In 1986, 98 such petitions were filed.

7. Appellate Litigation. In Fiscal Year 1987, 199 cases were decided by the United States Courts of Appeals compared with 197 in Fiscal Year 1986. Of those decided in FY 87, 87.4 percent were won in whole or in part, compared to 82.3 percent in Fiscal Year 1986; 7.0 percent were remanded entirely compared to 7.1 percent in Fiscal Year 1986; and 5.6 percent were total losses compared with 10.6 percent in Fiscal Year 1986.

These are but a few of the achievements this past year. I am particularly proud of this Agency's settlement record and of the processing times described above. These achievements are even more remarkable considering the funding constraints resulting from the deficit reduction program. This record, together with the very favorable comments of practitioners from across the country about the quality of the service they receive, reflects the truly outstanding commitment of the Regional and Washington staffs.

Outlook for Fiscal Year 1988

In 1988, the offices under the General Counsel continue to operate effectively and efficiently. Tight control continues to be exercised over expenditures to ensure effective use of the Agency's resources. Our staff level has been permitted to decline by attrition to come into balance with the workload and now that we are achieving this balance, we expect a substantial productivity increase. However, an essential part of our efficiency is our ability to travel from the field offices to investigate charges and make timely determinations of merit. This efficiency may be impeded because of the reduction of travel funds in FY 1988 in the omnibus spending bill.

Outlook for Fiscal Year 1989

If the level of workload estimated for 1989 is reached, the Office of the General Counsel will face a considerable challenge. While critically important elements of our casehandling, e.g. the settlement rate, are not totally within our control, I am confident that, with the dedication and hard work of our employees and with the thoughtful direction of our managers and supervisors, we will meet our goals.

The Fiscal Year 1989 Agency employment request is expected to be sufficient to process all of the cases that we estimate will be filed.

CONCLUSION

The National Labor Relations Board is about to complete its 53rd year. From the foregoing review of the performance of the Office of the General Counsel, it is clear that we begin our second half century with a healthy, productive and committed organization. I am very proud to be associated with the traditions that have made the headquarters and field operations of the Office of the General Counsel such a fine example of effective public service.

I would like to thank the Committee for the opportunity to appear before it and for the support you have shown to us over the years.

INTRODUCTION OF ASSOCIATES

Mr. STEPHENS. Thank you. Would you like me to introduce our witnesses here?

Senator CHILES. Please.

Mr. STEPHENS. On the end we have Mr. John Higgins who is the Deputy General Counsel; of course, our General Counsel, Rosemary Collyer; Lee Vincent, who is our Comptroller. We have Judge Mel Welles at the end who is our Chief Administrative Law Judge. And we have John Truesdale who is our Executive Secretary. We also have some additional senior professional staff with us as well.

STATEMENT OF JAMES M. STEPHENS

Mr. STEPHENS. Mr. Chairman, I appreciate this opportunity to appear before the subcommittee to present the NLRB's appropriation request for 1989. Joining me is the General Counsel, Mrs. Rosemary Collyer, who has joint responsibility with the board in preparing and submitting to the Congress the agency's budget. I will highlight some of the salient points of our statement before yielding to Mrs. Collyer.

We are requesting $138.6 million for fiscal year 1989. This is an increase of $5.5 million over the amount finally approved by Congress for the current fiscal year 1988. More than three-fourths of this increase can be attributed to built-in items such as general pay increases and benefits.

With respect to case handling, we are expecting a modest increase of approximately 2 percent of new cases. We would expect, however, our current staff to increase by less than 1 percent.

We have for the third year in a row reduced the number of cases awaiting decision by the Board. Last year at this time the Board had a combined total of 892 unfair labor practice and representation cases pending, and as of the beginning of this month, the total is down to 767 cases. We believe that with the funds we are requesting, we can continue to promptly, efficiently and fairly resolve the cases that are brought before us.

At this time I will yield to the general counsel so that she may have an opportunity to present her statement.

STATEMENT OF ROSEMARY M. COLLYER

Ms. COLLYER. Thank you. Mr. Chairman, I would just submit my statement for the record and only make a few additional comments.

I am very proud to lead the regional offices of the National Labor Relations Board which by statute are supervised by the general counsel. We have had another year of effective, efficient and quick service to the public of this country.

I just wish to point out to the subcommittee the difficulties in fiscal year 1988 that we are experiencing because of the reduction in our travel budget which was mandated in the continuing resolution, the Omnibus Budget Reconciliation Act. And to the extent that the subcommittee can ensure that our travel budget for next year is fully funded, I would urge you to do that because it has a direct and dramatic impact on our ability to investigate and handle cases.

Senator CHILES. Well, we were successful in defeating an amendment on the floor that would have further cut travel.

Ms. COLLYER. I appreciate that.

Senator CHILES. It was offered by the ranking member of this subcommittee, but it didn't quite pass.

I understand that your agency is one where travel is something that you are quite dependent upon. It is quite necessary. And I am sure that that has put a big constraint problem on you. And it is something that we will look at and see if we can help you with it.

BOARD MEMBER VACANCIES

Mr. Stephens, as we understand it, there is currently one vacancy on your five-member Board, and there will be two additional vacancies in August. What is the status of nominations to fill those vacancies, and could the Board fall below the level needed for a quorum over the next year?

Mr. STEPHENS. Mr. Chairman, Mr. Higgins, our Deputy General Counsel, has been nominated by the President to fill the vacancy that was created in December. His nomination is now pending before the Senate Labor Committee. And I would hope that the committee would be able to report his nomination out in the very near future, and hopefully the full Senate could act on it very quickly thereafter.

It is true that in August we do face the prospect of member Babson resigning. Member Johansen's term is up at the end of August and it is yet unclear at this point what the administration's intentions are.

We certainly hope that we can have a full Board soon and that when August comes, there will be some provision made so that we can have, if not five, at least four Board members. It is absolutely critical to the efficient operation at the Board level that we have a full complement of Board members.

CASE INTAKE ESTIMATES

Senator CHILES. Your budget justification indicates that since 1978 the actual intake of cases has been consistently lower than the estimate in each year's budget. Should we continue to trust the estimates submitted by the 1989 budget?

Mr. STEPHENS. Well, I think so. As a matter of fact, I think the early indications are in this year that the case intake is beginning to pick up a bit. I think we are having a few more representation petitions and unfair labor practice charges filed. I would think that we would be pretty close to the mark.

STAFF INCREASE

Senator CHILES. Last year the Board requested a decrease in staffing while you were expecting an increase in the caseload. This year you are asking for an increase in staffing to hold an increase in caseload. What is the change between last year and this year?

Mr. STEPHENS. Well, let me defer to Mr. Vincent who has a little bit better understanding of the precise relationship between our staffing needs and our budget request on that.

Ms. COLLYER. If I may, Mr. Chairman, in the past few years, over a period of years, we have had a declining caseload, and we have allowed our staff to decline through attrition rather than through a reduction in force or other forced measures. Therefore, our staff has been unevenly distributed. Some offices have had too many people and other offices have had insufficient numbers of people. And we have been shifting cases and people around the country in order to come into some measure of equilibrium.

We are now to the point where our staffing levels are appropriate for our anticipated caseload. We expect the increased number, which is only 34, to go predominantly to the field—that is, in our field offices of which we have 52—to be scattered through the field offices with very few of those numbers to be added to any of the Washington staff. In Washington the only area for which we will really see an increase is in the appellate court branch where we have attorneys who enforce the board's orders in the courts of appeals. They are severely understaffed and need additional lawyers. But our increase request is only because the unevenness of the last few years has led us to really need to balance it out.

LOAN OF ADMINISTRATIVE LAW JUDGES

Senator CHILES. Mr. Stephens, do you currently have any administrative law judges on loan to other agencies? How many do you expect to lend out in 1989?

Mr. STEPHENS. We do have administrative law judges on loan. I believe in the past we have loaned up to 15 to the Department of Labor to handle the backlog of black lung cases that were pending before the Department. It is my understanding that we will also be lending several judges to the Department of Justice to handle cases with respect to the Immigration and Naturalization Service.

As to the precise number, I am not sure of the number that are loaned out right now or what our plan is. Maybe Judge Welles might know the exact number on that.

Senator CHILES. Are you fully reimbursed when those judges are loaned out?

Mr. STEPHENS. It is my understanding, yes, we are, sir.

Mr. WELLES. We do have judges on detail at this moment to a number of agencies which do not have administrative law judges of their own, such as the Office of the Comptroller of the Currency, various branches of the Treasury Department, the Department of Education and the Department of Justice for immigration work. We are continuing to supply administrative law judges for Craig Pettibone who is the head of the judges' office, Office of Personnel Management. And he looks to us where he has a need for judges either on an ad hoc basis for particular cases or on a larger basis for a group of cases, such as the black lung cases at the Department of Labor.

We are fully reimbursed ~~on most of~~ this work. Our Department of Labor work I wouldn't say was fully reimbursed because we did it on a per case basis, a certain amount per case, and our experience is such that we probably were underpaid. But we did the work anyway since that was our agreement.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator CHILES. I thank you. I might have some other questions for the record. We thank you for your appearance.

Mr. STEPHENS. Thank you very much, Mr. Chairman.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

STAFFING INCREASE WITH RENT DECREASE

Question. Mr. Stephens, you are expecting an increase in your full-time-equivalent staffing level and simultaneously expecting a decrease in rental costs. How have you achieved this?

Answer. In the late 1970's when the Agency's case intake was up, all NLRB Field Offices acquired space to house the increased onboard staff and the next year's projected staff increase.

In the early 1980's the size of the staff began decreasing for varied reasons.

In compliance with Executive Order 12411 issued March 29, 1983 on Government Work Space Management Reform and subsequent GSA Temporary Regulations, we have closely monitored the staffing level of offices as related to the utilization of space, and whenever possible have reduced space to the minimum requirement. We have also reached agreement with GSA on a space utilization plan which will reduce our space needs.

At this point in time, we are still in the process of adjusting the space needs of some field offices where the reduction plans were delayed due to lease terminations/renewals, relocations, construction, or anticipated staff changes brought about by the realignment of our regional office boundaries.

Thus our space reduction plan permits us to increase our staff while reducing overall space needs.

INCREASE IN TRAVEL COSTS

Question. Mr. Stephens, I see that the Board is requesting a significant increase for travel costs in 1989. How has the Board handled the reduction in travel funds imposed by the 1988 Appropriations Act?

Answer. The NLRB is currently doing everything possible to operate within the travel restriction in the 1988 Appropriations. Our first priority is casehandling and the nature of our work means that our Agents must travel to various sites to investigate charges of unfair labor practices or to conduct representation elections. Approximately 80 to 90% of our travel is directly related to casehandling. Our Administrative Law Judges must travel to hearing sites all around the country. Our enforcement attorneys must travel to cities where the Circuit Courts of Appeals are located to present arguments for enforcement of Board orders. In order to operate and handle the cases we have eliminated our training seminars for our employees. The General Counsel and Board Members themselves have had to restrict their travel. All non-casehandling travel, that is travel not directly related to a specific case, has been severely restricted or cancelled.

Notwithstanding our efforts, we are experiencing some difficulty in staying within the limitations on travel expenditures imposed by the 1988 Appropriations Act. If those difficulties continue, we may be forced to ask the Congress for authority to reprogram funds from other object classes into travel.

Question. Have your travel expenditures for the first quarter been consistent with the decreased appropriation?

Answer. Planned NLRB activities were limited during the first quarter of the fiscal year until the Agency had received an Appropriation, but our casehandling programs were not restricted. Because we did not anticipate the travel fund restriction, or the 1988 Appropriation Act, we did not act in the first quarter to restrict casehandling travel to the levels of the Act. The result is that our first quarter travel was about normal for the first quarter with the effect of placing even greater burdens on travel in subsequent quarters.

Question. The increased travel funds for 1989 would be used primarily for what activity?

Answer. The increased travel funds would be used for casehandling, because of the projected increased intake. Also a substantial amount would be used for our training seminars, especially since training will be at an unusually low level under the FY 1988 travel budget. These seminars are very important in our efforts to increase productivity and provide our staff with the tools needed to do their work and serve the public.

RECORD OF DISPOSING OF CASES

Question. How has the Board done this year in its rate for settling cases?

Answer. During Fiscal Year 1987, the Agency achieved settlements in 8,960 unfair labor practice cases for a cumulative settlement rate of 92.7 percent. From October 1, 1987 thru March, 1988 our cumulative settlement rate is 92.5 percent.

Question. What increases or decreases do you expect for 1989 in your rate of disposing of cases?

Answer. Based upon our current and past experience, we expect that during Fiscal Year 1989 the Regions will continue to maintain a high settlement rate of at least 90 percent. Our traditional settlement rate has been between 85 to 86 percent. We also anticipate that the Regions will remain current in their processing of both unfair labor practice and representation case intake unless there is an unexpected increase in case intake. However, an impediment to our ability to remain current with case intake may be the travel budget reduction contained in the 1988 appropriations bill. In this regard, as we approach the end of the fiscal year, in order to reduce travel costs, some Regions may have to delay the investigation of certain cases until they could be clustered with case investigations in the same or proximate geographic areas.

SUBMISSION OF ANNUAL REPORTS

Question. Where does the Board stand now in becoming current with the submission of its Annual Reports?

Answer. The NLRB Annual Reports for 1985 and 1986 are at the Government Printing Office—ready for printing. The 1987 Annual Report is in the final stages and should be ready for printing by the end of the current fiscal year.

MAJOR DECISIONS

Please supply for the record a list of the major cases and their disposition handled by the Board this year.

IMPORTANT CASES — 1987

1. Massillon Community Hospital
   Cases 8-CA-13541, et.al.
   282 NLRB No. 98

   In this case the Board held that an employer violates its obligation to bargain by insisting to impasse on a terminable-at-will contract.

2. John Deklewa & Sons, Inc.
   Case 6-CA-16819
   282 NLRB No 184

In this case the Board discussed the status of pre-hire agreements in the construction industry under Section 8(f) of the Act.

3. Jewish Day School of Greater Washington, Inc.
Case 5-RC-11219
283 NLRB No. 106

In this case the Board held that the assertion of jurisdiction over the employer's operation was unwarranted because it would create the same significant risk of constitutional infringement that the Supreme Court foresaw in NLRB v. Catholic Bishop of Chicago, 440, U.S. 490 (1979).

4. Davon Engineering Inc.
Case 14-CA-16116
283 NLRB No. 124

In this case the Board held that employees who solicited authorization cards were special agents of the union for the limited purpose of soliciting cards.

5. Indiana & Michigan Electric Co.
Case 25-CA-10549
284 NLRB No. 7

In this case the Board discussed an employer's obligation to arbitrate grievances under a contract which has expired.

6. Buckley Broadcasting Corp. of California d/b/a station KKHI
Case 20-CA-15817
284 NLRB No. 113

In this case the Board held that there is no warrant for presuming that permanent strike replacement hired during a strike support the union in the same ratio as the striking employees whom they replaced.

7. Kennicott Bros.Co.
Case 13-CB-9768
284 NLRB No. 115

In this case the Board held that decertification of a union as a remedy for engaging in unlawful conduct was unwarranted.

8. E.A. Nord Co. Inc.
Case 19-RM-10958
285 NLRB No. 19

In this case the Board held that replaced strikers who were eligible to vote in a initial election held within 12 months of the inception of an economic strike should be allowed to vote in a rerun election held outside that 12 months period of Section 9(c) of the Act where the rerun election is necessitated by misconduct.

9. Arvin Automotive, a Division of Arvin Industries Inc.
Cases 10-CA-19585, 10-CB-4175
285 NLRB No. 102

In this case the Board discussed the question of nonacquiescence in adverse precedent in the circuit court where enforcement for review of the Board decision may be sought.

10. Texaco, Inc.
Case 19-CA-12349
285 NLRB No.45

In this case the Board discussed whether an employer violates Section 8(a)(3) of the Act by automatically classifying disabled employees as strikers and suspending the benefits in dispute.

11. Hassett Storage Warehouse Inc.
Case 13-RM-1480
287 NLRB No. 75

In this case the Board discussed whether direction of an expedited election is appropriate where a union continues picketing after the union no longer enjoyed the support of a majority of the employer's employees and the employer had lawfully withdrawn recognition.

12. Independent Stave Co.Inc.
Case 9-CA-19619-1 et.al.
287 NLRB No. 76

In this case the Board discussed the factors which the Board will consider in determining whether it will effectuate the purposes and policies of the Act to give effect to a non-Board settlement.

QUESTIONS SUBMITTED BY SENATOR LOWELL P. WEICKER, JR.

FY '88 FUNDING

Question. The 4.26% cut applied to all discretionary programs under the jurisdiction of this subcommittee in order to comply with the budget summit agreement resulted in an FY '88 appropriation for the Board that is close to $6 million below the President's FY '88 request. What effect will this have on the Board's operations?

Answer. The funding reduction was offset by lower than expected costs for FERS. Beyond that, the impact of the reduced funding is that all mandatory cost increases will have to be absorbed. For example the NLRB will have to absorb the full cost of the January 1988 pay raise of 1.6 million and a $1.5 million increase in space rent. In addition the $641,000 reduced from travel cannot be used to offset these cost increases. The increase in postal rates was not budgeted, and GSA since February 1st has included a 3% to 28.5% surcharge for "industrial funding" on just about all supply items we purchase. The money cut from the 1988 request would have helped absorb these cost increases; instead, we are faced with a budget for 1988 which is approximately the same as 1987 with higher payroll cost because of the pay raise and other cost increases which were not budgeted. Funding for these costs will be achieved through personnel savings --the lapse in replacing those employees who leave and not filling all vacancies. We are also being very careful about spending in other areas such as printing, supplies and equipment.

Question. How has the Board adjusted its activities to absorb the cut?

Answer. What the Agency has done is to scale back some operations to insure the availability of funds for all casehandling needs. This means a substantial reduction in training funds. The purchase of furniture and equipment has been put on an emergency need status.

Question. Does the Board anticipate addressing all the cases filed with the Agency in FY '88 and will the cut increase the ratio between cases received and cases closed?

Answer. The NLRB anticipates processing as many cases as it receives in FY '88. This means for every charge filed in a regional office the Agency will complete an investigation and make a determination whether the charge has merit or not. This is the first stage of the pipeline and the completion of an investigation has a 30 day time target. We would also expect to close as many cases that have been through the litigation process as we would commence in 1988.

PRODUCTION IMPROVEMENTS

Question. The Board's budget justification assumes a $2.3 million savings through productivity improvements in FY '89. How do you plan to achieve this savings?

Answer. The NLRB's casehandling budget is composed of about 100 productivity rates throughout the casehandling pipeline. Those are rates for investigation, settlements, withdrawals, briefs to judges, rate for Board Members, judges and staff to dispose of cases. As we complete a fiscal year we review those rates and our accomplishments to determine whether our experience indicates any changes are warranted. In the case of 1988, we hope to improve those rates to give us about a 2% productivity increase. By way of example, if the rate for field professionals were 50 case dispositions per employee, a goal of about 51 dispositions per staff year for the next fiscal year would amount to a 2% improvement. If we achieve the targeted productivity rates in every area of the pipeline, we will reach the $2.3 million savings.

Question. What is the largest factor in achieving this savings?

Answer. The largest factor in achieving this savings and meeting the productivity rate we have set as a goal is careful, daily attention to case scheduling and settlements, particularly in the informal stages of the casehandling pipeline. The Agency resolves about 90% of the charges filed within a 40 day median. If we are unable to meet our traditional experience, then the likelihood of delays and/or formal litigation increases both of which require greater resources for the disposition of the cases before the Agency.

Question. Is there a particular area of the Board's activities where you anticipate this productivity increase will occur?

Answer. No, we have budgeted some productivity increase in virtually every stage. We always seek to keep the casehandling pipeline balanced in order to avoid backlogs at different points.

OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION

STATEMENT OF E. ROSS BUCKLEY, CHAIRMAN

PREPARED STATEMENT

Senator CHILES. Now we will hear from Mr. Ross Buckley, the Chairman of the Occupational Safety and Health Review Commission.

Mr. Buckley?

Mr. BUCKLEY. Good morning, Mr. Chairman.

Senator CHILES. Good morning.

Mr. BUCKLEY. We have submitted to the committee a statement.

Senator CHILES. The statement in full will be placed in our record.

[The statement follows:]

STATEMENT OF E. ROSS BUCKLEY

Mr. Chairman, again it is my privilege and honor to appear before you to present for your consideration the fiscal year 1989 appropriation request for the Occupational Safety and Health Review Commission in the amount of $6,002,000. This represents an increase of $117,000 above the appropriated amount for fiscal year 1988 and will enable the Commission to begin fiscal year 1989 at an expected staffing level of 90 FTE. This constitutes an increase of 2 percent in amount, and is attributable almost entirely to increases in personnel compensation and benefits, and in rental payments to GSA. Increase in rental payments is due to the proposed establishment of a regional office in California. During fiscal year 1988 the Commission will average approximately 79 FTE's because of the lag in filling existing vacancies resulting from the two vacant commission member positions.

During fiscal year 1987, the Commission docketed 1,671 new cases at the hearing level. Beginning that year with a case inventory of 807 cases, its administrative law judges disposed of 1,813 cases, ending the year with an inventory of 665 cases. We estimate 2,090 cases to be docketed in fiscal year 1988, and that our eorps of judges will dispose of 2,175, and that we will commence fiscal year 1988 with a case inventory of 580 cases During fiscal year 1989 we estimate receiving 2,470 new cases, and the disposition of 2,610 cases, with a case inventory at the end of fiscal year 1989 of 440 cases.

In our budget submission 1 year ago we informed you that amendments to our rules of procedures had been enacted which we anticipated would result in a larger number of dispositions of cases by settlement. That optimistic projection has been borne out as evidenced by an increase in fiscal year 1987 of 29 percent in the number of settlements over 1986, although the number of new cases received in both years was virtually identical. To further assist in the settlement process, as well as add support to our administrative law judges, we have established for each regional office a position of attorney-advisor. It is intended that these attorneys will assume some of the burden of extrajudicial activities of the judges such as encouraging settlement efforts by the parties, determining hearing dates, and locating hearing space. It is also anticipated that the attorneys, acting much as law clerks do in the Federal judicial system, will assist the judges in the review of trial transcripts, legal research, and, under the judges' directions, participate in the drafting of the judges' decisions. We anticipate that once the attorneys are experienced in their roles, they will add substantially to the efficiency and effectiveness of our hearing processes.

At the review level we have not been quite so successful. In our budget submission 1 year ago, we projected that we would commence fiscal year 1988 with 50 cases pending, that during 1988 we would direct 64 cases for review and dispose of 85 leaving pending to begin fiscal year 1989 29 cases. This projection presupposed a full commission during fiscal years 1987 and 1988. In fact, we have been without a full commission since September 1986 and without a quorum since April 1987. Thus, it has been necessary, based on virtual inactivity at the review level for over 9 months, to revise our estimate for 1988, and to show a slight increase in pending cases at the end of fiscal year 1989. We have been able to maintain a workable backlog of exercising restraint in the direction of cases for review.

The increase in cases projected for fiscal years 1988 and 1989 is attributable to the likely resumption of OSHA safety and health jurisdiction in California. At present, Federal and State authorities are exercising concurrent authority pending a determination by the State supreme court as to the legality of State action terminating the State plan. In the event the court validates the action, we anticipate the necessity of establishing a regional office in California. Until then we believe that new cases arising in California can be adequately adjudicated with our existing resources.

This concludes my statement. With me are members of my staff to answer any questions you may have.

LACK OF QUORUM

Mr. BUCKLEY. I would appreciate going directly to the questions, Mr. Chairman.

Senator CHILES. All right, sir.

We understand that as of now you do have a quorum problem, that you are below a quorum. What is the status of the nominations of the other two commissioners?

Mr. BUCKLEY. There was one nomination sent to the Senate Labor Committee in January 1986 and a second nomination sent to the committee I think it was in May 1987.

Senator CHILES. Do you think it is likely the Commission is going to have a quorum by the beginning of the next fiscal year?

Mr. BUCKLEY. Mr. Chairman, at this point I think it is unlikely.

COMMISSION CASELOAD

Senator CHILES. What is the size of the case backlog since April?

Mr. BUCKLEY. At the review level we now have a backlog of 63 cases. That was up from I think it was 39 at the beginning of fiscal year 1988. Technically it is 63 cases. Actually it is 51 because 12 of those cases are consolidated, were heard jointly at the administrative law judge level and directed as consolidated cases and will be decided on one point.

Senator CHILES. It is my understanding that each commissioner's office has its own staff. What has the staff been doing of the two commission offices that are vacant?

Mr. BUCKLEY. All of the staff members of the two vacant commission offices have been reassigned to the General Counsel's Office with the exception of one who is now acting as my chief legal advisor.

CALIFORNIA CASELOAD AND PLANS

Senator CHILES. Would you explain to us the effect of your joint jurisdiction in California on your caseload and your staffing plans?

Mr. BUCKLEY. We have now I think approximately 150 cases that have been filed out of California. We have held four hearings, as I understand it, during the course of the past year or so. We anticipate that we will be able to handle those cases that may come up within the balance of 1988 out of our existing resources by flying our administrative law judges predominantly from the Denver office or the Dallas office to California to hold hearings where necessary.

Senator CHILES. When would you anticipate opening a regional office in California?

Mr. BUCKLEY. We had anticipated opening it at the end of 1988 or the beginning of 1989.

We are holding off at the present time because of two factors which lead to an inability to make a final determination. One is that there is a State court case pending in California as to the validity of the Governor's action in removing funds for the California OSHA Program. The second one is a referendum which I understand now has sufficient signatures to place on the ballot in November the question of whether or not the State plan should be reinstated.

I am reluctant to open a regional office and hire administrative law judges and staff under those circumstances.

Senator CHILES. When will that be on the ballot?

Mr. BUCKLEY. I think in November.

COMMISSION REVIEW CASELOAD

Senator CHILES. In your statement you explain that you have been able to maintain a workable backlog by exercising restraint in the selection of cases to review. Is that another way of saying that you are not reviewing cases that you normally would review because you don't have a quorum?

Mr. BUCKLEY. Yes, Mr. Chairman. I am particularly careful not to direct any cases for review which may be stalled or stayed in the review process, particularly in those instances where employees may be subjected to hazards. I have been very careful not to direct any cases of that nature. There are a number of cases that would have been directed had we had a quorum, and I feel relatively certain that had we had a quorum during the past year, that we would now be handling cases on the basis of getting them in at the review level and out within 4 to 6 months. But they are now beginning to build up again, and we have cases now that are 3 to 4 years old.

Senator CHILES. Mr. Buckley, your budget justification indicates you expect to bring on an additional administrative law judge in 1989. Are you going to fill this position from the outside, or do you intend to use one of the many surplus administrative law judges that are available from other Federal agencies?

Mr. BUCKLEY. We will look at whatever is available at the time, Mr. Chairman, to determine whether or not we would do better to request reassignment of judges from other agencies or whether to take judges who are already out there. I know we have a couple of ex-judges of the Review Commission who are in California and have indicated an interest perhaps in coming back to the Commission if we open a regional office.

Senator CHILES. How have the activities of your law judges been affected by the reduction in travel funds imposed by the 1987 reconciliation act?

Mr. BUCKLEY. To date we have had no difficulty in meeting the reduction, and I do not anticipate any difficulty with the balance of this year.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator CHILES. We thank you very much for your appearance.

I will have some other additional questions that I will submit for the record.

Mr. BUCKLEY. Thank you very much, Senator Chiles.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

COMMISSION REVIEW IS INOPERATIVE: NO QUORUM

Questions:

Mr. Buckley, your statement explains that you have been unable to dispose of cases at the Commission review level since April of 1987, since you are the only sitting Commissioner and at least two are required.

-- What is the status of the nominations for the other two Commissioners?

-- Do you think it is likely that the Commission will have a quorum by the beginning of the next fiscal year?

-- What is the size of the case backlog since April?

-- How does this backlog compare to that of previous years?

Answers:

Mr. Douglas Ehlke, of the State of Washington, was nominated in February, 1987, to complete a term expiring in 1991. Mr. John Wall of Ohio, was re-nominated in April, 1987 to a term expiring in 1993. To date, no confirmation hearings have been scheduled for either nomination.

While it appears increasingly less likely, I continue to hope that the Senate will place at least one more Commissioner on the Commission in order to permit it to perform its review functions.

When Mr. Wall's term expired in April, 1987, the Commission's backlog of cases on review had been reduced to 31 cases. Since then the backlog has increased to 63 cases. Since 12 of the cases are consolidated, the effective work-load backlog stands at 52 cases.

The current backlog has increased since the end of fiscal year 1987. End-of-year backlogs for the past five years were, respectively 152, 110, 96, 65, and 39.

USE OF SURPLUS STAFF

Question:

Mr. Buckley, it is my understanding that each Commissioner's office has its own staff.

-- What has the staff been doing since the two Commissioners' positions became vacant?

Answer:

Each Commissioner's office has a staff of five, including the Commissioner, consisting of a chief legal advisor, attorney-advisor, confidential assistant, and a secretary-typist. As each Commissioner's term expired, the confidential assistant, in each case, resigned, and the others were transferred to the General

Counsel's Office. One of the chief legal advisors has been transferred to the Chairman's Office to temporarily replace the Chairman's chief legal advisor who recently resigned to take a position in the Department of the Interior.

USE OF SURPLUS JUDGES

Question:

Mr. Buckley, your budget justification indicates that you expect to bring on an additional administrative law judge in 1989.

-- Will you fill this position from the outside or do you intend to use one of the many surplus administrative law judges available from other federal agencies?

Answer:

The judges to staff a prospective California Office will be filled upon application by judges in other agencies or from OPM's list. I will also consider, if appropriate, applications by Review Commission judges requesting transfer, assuming the availability of funds.

REDUCTION IN TRAVEL FUNDS

Questions:

-- Mr. Buckley, how have the activities of your administrative law judges been affected by the reduction in travel funds imposed by the 1987 appropriations act?

Your justification indicates you expect your travel expenditures to fall below the reduced level for 1988. At the same time, you are expecting an increased workload.

-- Can you assure us that this additional travel reduction in 1989 will not slow down the rate at which the administrative law judges can hear cases and dispose of them?

Assuming that another Commissioner is not confirmed before the third quarter of fiscal year 1989 or the beginning of fiscal year 1990, please supply for the record, what you would consider to be a reasonable budget for FY 1989.

Answers:

The FY 1988 appropriation contained an estimate of travel costs of $136,000. That amount has been reduced by $17,000 in accordance with Congressional action. Thus the funding level for FY 1988 for obligation purposes is $119,000. That reduction has not required any diminution in the hearing and disposition of cases by Commission judges.

Travel expenditures for 1989 were estimated at $110,000, a reduction of $9,000 below 1988. We anticipate that by calendaring cases and scheduling we will be able to handle effectively the increased workload with no decrease in the rate of disposition.

The compensation for two Commissioners and two confidential assistants, including personnel benefits, per month is $19,004.00.

The Commission would save this amount for each month of 1989 that the two Commissioner positions remained unfilled. I would be reluctant, and consider it to be presumptuous, to submit a budget which did not include full funding for those positions absent an unequivocal direction that no Commissioners will be appointed.

NEW CASE REQUIREMENTS IN CALIFORNIA

Questions:

-- Mr. Buckley, please explain to us the effect of your joint jurisdiction in California on your caseload and your staffing plans.

-- When would you anticipate opening a regional office in California?

The Review Commission has exclusive jurisdiction to hear contests of citations issued by OSHA; it has no jurisdiction of citations issued by State of California inspectors.

To date, approximately 150 cases arising in California have been filed with the Commission. Four hearings have been held; hearings have been scheduled in others but are not yet ready to be heard. The remaining cases are not ready for assignment or have settled.

We are unable to set a date for opening a regional office in California. The circumstances which prevent a decision are, (1) a State Supreme Court case presently pending as to the validity of the Governor's action, and (2) a statewide referendum which will be on the November ballot to re-institute the State Plan.

IGNORING CASES THAT SHOULD BE REVIEWED

Question:

Mr. Buckley, in your statement, you explain that you have been able to maintain a workable backlog by exercising restraint in the selection of cases for review.

-- Does this mean that certain cases that should probably be reviewed are not being reviewed because you do not have a quorum?

Answer:

Yes. In some instances, even though the cases appeared to warrant Commission review, I have opted not to direct them for review, in order to avoid their remaining undecided for an undefinable period of time absent a quorum.

LAG TIME ON OSHA RULES

Question:

-- Mr. Buckley, what is the usual lag period between the time that a new rule is promulgated by OSHA and the time a case related to that rule is sent to the Commission?

Answer:

There is no usual time. Much depends upon the delay-in-effective date provisions of a standard, the possibility of a judicial stay of a standard pending any pre-enforcement judicial review of a standard, and the promptness of OSHA enforcement action following the ultimate effective date.

How this works may be illustrated by the hazard communication standard (29 C.F.R. 1910.1200). This comprehensive standard was adopted in November 1983. Chemical manufacturers and importers, as well as distributors, had some duties under the standard effective November 25, 1985. The first Commission cases involving the standard appeared early in 1986.

QUESTION SUBMITTED BY SENATOR LOWELL P. WEICKER, JR.

ISSUE:

According to their testimony, the Occupational Safety and Health Review Commission, a three member panel, has had only two members on board from September of 1986 until April of 1987 and since April of 1987, has had only one member which is not a quorum. Thus, no cases could be considered at the Commission review level.

- -- Why has the Commission been operating without a quorum at the review level since April of 1987?
- -- How can you request funding for a Commission which is unable to perform its duties?
- -- Have you been in contact with the Chairman and ranking member of the Senate Labor Committee to try to rectify this situation?
- -- What specific steps have been taken to submit names of Commission nominees who would be acceptable to the Senate which has the responsibility for approving such nominees?

ANSWER:

The Commission has been operating without a quorum since April of 1987 because the Senate Labor Committee has neither confirmed nor denied confirmation to either of the two nominees.

The Commission is able to perform its duties at all levels except the review of ALJ decisions and other matters requiring a Commission quorum, such as to grant interlocutory appeals or to rule on motions directed to the Commission. Consequently, the Commission is a functioning body, albeit not fully functional.

No. Based on inquiries which we have periodically made to the staff of the Labor Committee as to the status of the confirmation process, I assume that the Chairman and Members of the Committee are aware of the circumstances. The question of rectifying the situation is not within the purview of the Commission or of me as Chairman. I, of course, would be happy to meet with the Chairman of the Labor Committee at his request.

The President has submitted the names of two nominees to the Senate. The Review Commission has no authority or function in the determination of the qualifications or acceptability of such nominees.

NATIONAL MEDIATION BOARD

STATEMENT OF HELEN M. WITT, CHAIRMAN

ACCOMPANIED BY:
WALTER C. WALLACE, MEMBER
JOSHUA M. JAVITS, MEMBER
CHARLES BARNES, EXECUTIVE DIRECTOR

PREPARED STATEMENT

Senator CHILES. Now, we will hear from Ms. Helen Witt, Chairman of the National Mediation Board. Under the provisions of the Railroad Labor Act as amended, the National Mediation Board mediates collective bargaining and representation matters of employees in the railroad industry and the airline industry. I'll let you proceed with your oral remarks, and we'll put your statement in the record.

[The statement follows:]

STATEMENT OF HELEN M. WITT

MR. CHAIRMAN, MEMBERS OF THE SUBCOMMITTEE. Thank you for this opportunity to appear before your Subcommittee today regarding the National Mediation Board's budget for Fiscal Year 1989.

The total amount requested for Fiscal Year 1989 to administer the Railway Labor Act is for $6,551,000, and a personnel complement of 58 positions.

The appropriation for the National Mediation Board is requested for expenses necessary to administer the provisions of the Railway Labor Act, as amended. This statute was designed to provide orderly procedures for the settlement of labor disputes in the railroad and airline industries as well as questions of employee representation and to interpret agreements made in mediation.

When the Railway Labor Act was amended in 1934 it established the National Railroad Adjustment Board for the purpose of handling grievances arising under the terms of collective bargaining agreements in the railroad industry.

On June 20, 1966, the President signed Public Law 89-456, which further amended certain provisions of Section 153 of the Act. Under the Public Law, new grievances and those which have been on docket before the National Railroad Adjustment Board for a period of at least one year may be referred to a local board of adjustment. The purpose of this amendment was to reduce an overwhelming caseload of unresolved disputes pending before the National Railroad Adjustment Board.

The budget justification, as submitted, identifies the functions just discussed and the amounts requested for each. I would like to go over each one briefly.

Mediatory Services

For mediatory services for Fiscal Year 1989 we are requesting $3,598,000, an increase of $124,000 over Fiscal Year 1988. These services include mediation relating to the making and amending of collective bargaining agreements, procedures relating to the selection by employees of their bargaining representatives, and a number of administrative duties consistent with statutory authority under the Act and related statutes governing railroad and airline labor disputes procedures. The Board foresees an increase in this activity largely due to airline post-deregulation, to unprecedented merger movement and to possible splintering of railroad carriers from the next round of national bargaining.

Voluntary Arbitration and Emergency Disputes

The second activity of the Mediation Board relates to voluntary arbitration and the investigation of critical disputes through emergency board procedures. In these arbitration proceedings, disputes over contract formation are voluntarily submitted by labor and management to a neutral party for final and binding decision.

Emergency boards are created by the President pursuant to Section 160 of the Act. When the Mediation Board finds that a dispute not resolved in mediation threatens substantially to interrupt interstate commerce and deprive any section of the country of essential transportation, it notifies the President who may create an emergency board to investigate and make recommendations as to the settlement of the dispute.

The Northeast Rail Service Act of 1981 amended the Railway Labor Act by adding a special emergency dispute procedure for publicly funded and operated commuter carriers and their employees. Under this procedure, the President would be required, upon request of any party to a labor dispute, including the Governor of the State, to establish possibly two successive emergency boards. A public hearing is held by the National Mediation Board after the first Emergency Board's report is issued and each party must appear and state the reasons why it has not accepted the Board's recommendations for settlement.

The Mediation Board is requesting $584,000 for these activities, an increase of $15,000 over Fiscal Year 1988. As in the past we will continue to hold this amount in a special category and use it only for voluntary arbitration and emergency disputes. Any amount not needed for this purpose will be lapsed at the end of the year.

Adjustment of Railroad Grievances

When the Railway Labor Act was amended in 1934, the National Railroad Adjustment Board was created to hear and decide disputes involving railroad employee grievances and questions concerning the application and interpretation of work rules. Administrative responsibility and fiscal management of the Adjustment Board were placed with the National Mediation Board. As indicated earlier in my statement the Mediation Board administers Public Law 89-456, which amended certain provisions of Section 153 of the Railway Labor Act.

For the past 50 years the railroad industry has been the only private industry for which the Federal Government has financed the adjustment of employee grievances. During this period, approximately $53 million of Federal funds have been spent administering the system and paying the arbitrators. Over 200,000 employee disputes have been decided, providing the parties a substantial body of precedents to rely upon.

Over the years the grievance system had become overburdened with a large number of undecided cases. Further aggravating this situation, was a substantial number of cases heard, but undecided, by neutrals and a perceived increase in the time required to issue awards.

Recognizing the need to reevaluate the railroad grievance system, rail labor and management established a bipartisan committee to review the entire grievance handling process. Recommendations for improving the grievance handling system were jointly agreed to by the participants and a copy of their report was submitted to you in February 1988. An industry-wide conference was held in Washington in March 1988 to advise rail labor and management on the Committee's achievements and suggestions for the future.

We are encouraged that substantive changes in procedures have been implemented as a result of this committee's work and we are optimistic that its comprehensive recommendations will be given serious consideration by both labor and management. We believe that substantial progress has been made during the past two years and anticipate that these efforts will begin to bear fruit during FY 1989. These efforts include adoption of uniform rules for the four divisions of the National Railroad Adjustment Board for the first time in 53 years; the restriction of neutrals with a large backlog from hearing other cases; and the allocation of work days based on each neutral's productivity and caseload. Also, the parties are being urged to settle disputes prior to resorting to arbitration, use precedent for resolving similar disputes, and reduce claims to issues.

The National Mediation Board through its computerizing efforts with input from the parties has been able to reduce the pending caseload by 6,458 cases. Future plans include the tracking of all cases which will provide a more accurate grievance caseload.

The Board anticipates the cooperation of the parties to, first, decide more cases within available funds, and second, to decrease the number of incoming cases. The cooperation of the parties is imperative for the Railway Labor Act does not give the Board control over the number of cases submitted or resolved. Therefore, anticipating uninterrupted work for the entire fiscal year, the Board requests $2,369,000 for the adjustment of railroad grievances.

This completes my statement. If you have any questions, we will be happy to answer them.

INTRODUCTION OF ASSOCIATES

Ms. WITT. Thank you, Mr. Chairman. I would like to introduce to you the other two members of the Board. To my right is Mr. Walter C. Wallace and to my left is our newest member, Mr. Joshua Javits. We have with us in the room other members of our staff and our Executive Director, Charles Barnes.

Mr. Chairman and members of the committee, the National Mediation Board is requesting the sum of $6,551,000 for fiscal year 1989. Of this amount, $3,589,000 is for mediation services. We mediate disputes in the formation of contracts in the railroad and the airline industries.

We are requesting $584,000 for voluntary arbitration and emergency boards.

And our third object is $2,369,000 for railroad grievance arbitration. This amount is $353,000 less than our request for 1988.

We would be happy to answer any questions that the committee may have.

Senator CHILES. Thank you, ma'am.

Mr. Javits, I had the pleasure of serving with your father. He was one of the brightest minds and the sharpest lawyers I ever met. He always had the ability to correct anything I seemed to come to the floor with, and he could do it instantaneously and usually was always right. That was the thing that always bugged me a little bit.

Mr. JAVITS. I appreciate that very much. I certainly won't use that presumption.

EASTERN AIRLINES NEGOTIATIONS

Senator CHILES. As you know, Ms. Witt, the National Mediation Board is not subject to any statutory time limit for declaring an impasse at the negotiation table.

Ms. WITT. That's correct.

Senator CHILES. Unlike the Federal Mediation Conciliation Service, you do not have a cutoff date to end negotiations. As a result, the Board has wide discretion when a negotiating impasse has been reached.

Eastern Airlines has been at the negotiating table with labor unions for over a year. Mediation by the Board began at the end of January 1988.

When and how does the Board decide an impasse has been reached? Why doesn't the Board use some cutoff date such as used by the Federal Mediation and Conciliation Service?

Ms. WITT. I would like to answer the question briefly and in general, and then defer to Mr. Wallace who will speak to the Eastern situation in particular.

The National Mediation Board does, indeed, have broad discretion in determining when it is time to release parties from the control over their negotiations that the Railway Labor Act gives to the Board. And the purpose of this statute and of that kind of a procedure is to reduce work stoppages and reduce the level of confrontation that we might see in collective bargaining in other situations. We substitute this mandatory, deliberately long process for the economic warfare and power that we would otherwise see.

The Board considers a number of things. It considers the nature of the issues, how difficult and complex they might be. It considers the relationship between the parties. If it is steadfastly acrimonious, we know it will take longer than if it is a cooperative relationship maintained over a long period of time. We do consider what is really happening in a case at any given time with respect to both entities, the union, its relative power, the company, its financial health, that sort of thing.

All of these things come to bear but not in any kind of a formula. You are looking at a difficult to define concept, and that is discretion. All we can do is assure the committee that our decisions are made in good faith with the public interest overriding all other considerations.

I would like to let Mr. Wallace respond, if he would care to.

Mr. WALLACE. Mr. Chairman, I assume you are interested in Eastern Airlines specifically. Eastern is employing about 40,000 people in the State of Florida. We are concerned too. I have been the Board member involved in a number of negotiations with Eastern Airlines.

As you are well aware, Eastern Airlines has gone through changes in ownership and troubles over the last 5 or 6 years, precisely the period of time I have been on the board. You are correct.

Senator CHILES. You are not saying their troubles started from the time you got on the board. [Laughter.]

Mr. WALLACE. I think there are people at Eastern who believe that. I tend to believe that many of their problems may go away if I would just disappear. I'm saying that facetiously.

I think we have been successful in resolving disputes on Eastern over the years, and that involved the pilots, the flight attendants and the mechanics.

The current dispute, of course, involves Eastern and the mechanics, the IAM. And you are correct. The dispute began over 1 year ago. We, of course, have only had it in mediation—we docketed the case on January 26. It had been in negotiations in direct for a long time although the contract itself wasn't open for renegotiation until January 1 or December 31, 1987.

What had been accomplished in direct it is difficult for me to explain or tell you. I can say this. And we are always reluctant to talk about a current case, Mr. Chairman. I hope you appreciate that, but I think it is generally known there has been a great deal of publicity about the Eastern case.

When it was docketed in January, the issues dividing the parties numbered something over 1,000. And these were all very serious proposals on both sides of the table. And there was also a request that what had been one contract for many years be divided up into two contracts. This presented some problem in communications.

They have been in mediation under the auspices of the Mediation Board since January 26. We have been at it diligently. As a result, I think we have been successful in bringing the issues down, narrowing them down, to a much more manageable number. We are not at a point where I would say we have come to grips with the very, very difficult issues, but there is a lot of undergrowth there that had to be cleared away.

I am pleased that we have just completed a week away from Miami. There is nothing wrong with Miami for negotiation purposes, but there are the distractions of day-to-day problems and there has been a lot going on in Eastern Airlines. And we moved them up to another location so that we would be able to put full time in. There was a great deal accomplished getting rid of what we call the undergrowth, some of the issues that have to be resolved before we can come to grips with the bigger issues. That has been completed now.

So, I can only say to you that the process we have been following has been successful in creating a better atmosphere, believe it or not. Even though we have a great deal of strong feelings expressed in the press, the working relationship at the bargaining table has been improved considerably. But I would hesitate to say where we are going from there.

We are now reaching another stage. We will be back in full bargaining on April 26 in Miami. We expect to keep them at it. We expect to monitor it very carefully as we have in the past. This is not an 8-hour day or 5-day week. We have been going into extra sessions, and we'll see where it goes.

RAILROAD GRIEVANCES PROCEDURES

Senator CHILES. The railroad employee grievances have been handled since 1934 by the National Railroad Adjustment Board which is now part of the National Mediation Board. Over the years, the system has been overburdened with a growing number of undecided cases. In 1985 both rail management and labor decided to review the entire grievance handling procedure. That bipartisan labor-management committee met in December to develop a more streamlined approach to grievance handling. We have been trying to follow that progress.

Can you tell us what the new procedures are? When will they be implemented? Will the board be able to ensure compliance? And how will they monitor it?

Ms. WITT. Yes, Mr. Chairman. We submitted to the Senate committee in February a joint resolution which was prepared by a labor-management committee that had been meeting for the prior 2 years from the railroad industry. This resolution was precatory in a sense and it is not binding on any special carrier, nor on any particular labor organization. Nevertheless, it had the unanimous endorsement of all of the class one carriers and of all of the labor organizations through the Rail Labor Executives Association.

What the recommendations are basically are improvements to a process rather than radical changes in the process. The statutory language which still provides for a national railroad adjustment board, public law boards, and system boards of adjustment remains intact. And it will only be differences in policy and philosophy and in some cases in rules which will result, we believe, in a substantial reduction in the number of cases which are processed through to grievance arbitration.

The National Railroad Adjustment Board has for the first time in its 62 year history uniform rules across all four divisions of the Board. We regard that as laudatory and exciting and unprecedented.

Another major change in policy will involve the parties willingness to settle cases when they first arise rather than treating each case as though it had to use the full process of the act. We have already seen an improvement. I am told that the National Railroad Adjustment Board has recently settled 88 cases. The Senate's records will show that in past years if there were one or two cases per year, that was about the norm. So, there is a tremendous change in that area.

There is a willingness on the part of the parties to combine cases and settle them by issue rather than litigating each one. They also intend to use mediation to dispose of large numbers of cases. They are going to go to such devises as expedited arbitration, bench decisions, very short decisions in other cases, also to handle the volume.

There is a program in place to reduce the backlog of cases that are already heard but have not yet been decided by preventing those arbitrators who have more than 50 such cases from hearing any more until they get their own backlogs down. This has shown a substantial improvement as well.

But basically they needed to change their process in order to meet the contemporary needs of both sides, that they needed to save their own money—even though we spend some, they spend much more in handling cases—and also to improve the relationship, which after all is what this is all about. Arbitration is simply another step in the ongoing collective bargaining relationship. So, you are going to see a change I think, but I can't tell you with any precision when it will be implemented by each individual party.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator CHILES. Thank you, ma'am. I have some other questions, but for the sake of our time, I am going to submit some of those to you in writing.

Ms. WITT. Fine. We will be happy to answer them.

Thank you, Mr. Chairman.

Senator CHILES. Senator Bumpers, did you have any questions?

Senator BUMPERS. I have no questions, Mr. Chairman.

Senator CHILES. We thank you very much.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

RAILROAD GRIEVANCE HANDLING CONFERENCE

Question: On March 21-23, 1988, the Board co-sponsored a conference to discuss the rail labor-management committee's findings on new procedures for railroad grievance handling. What was the general response of the conference participants to the new procedures?

Answer: The general response was favorable. I believe that both rail labor and management recognize that there are serious problems with the grievance system and the time is now to do something about it.

Question: Do you anticipate that these new procedures will continue to evolve, as they are put into practice?

Answer: I certainly do, I believe we have just pierced the surface of what can and should be done.

Question: Will the rail labor-management committee continue to meet and monitor the new system?

Answer: The committee will continue to meet on a regular basis and will monitor developments in the system.

BUDGET REQUEST - RAILROAD GRIEVANCES

Question: The budget request for the railroad grievance handling process is $1,800,000, which is $498,000, or 22 percent, less than last year's amount of $2,298,000. I understand that you intend to save money by putting the new grievance handling procedures into practice. However, how did you arrive at the 22 percent cost reduction?

Answer: We looked at all the variables which underlie our budget request and concluded that we could do the job with less money. We assumed that the productivity of neutrals would continue to rise, that neutrals would work more efficiently in handling and grouping cases, and most importantly, fewer cases would be entering the grievance pipeline.

Question: Is it fair to say we will be conducting an experiment with this funding level and with the new procedures?

Answer: Yes, but as we see things developing, the requested level of funding will be sufficient for operating the system fairly and effectively.

Question: Are you convinced that this experiment will succeed?

Answer: Yes, if the parties implement the changes recommended by the rail labor-management committee.

RAILROAD INDUSTRY - COLLECTIVE BARGAINING

Question: On page 19 of your budget justification, you indicate that in fiscal year 1988, national rail bargaining may "splinter" to a carrier-by-carrier situation. Have you seen any indication that this might be the case?

Answer: It's still a little too early to tell whether national bargaining will "splinter" this year. Until formal bargaining begins, at which time the individual carriers will have to decide whether or not to join national handling, it is premature to speculate. We do understand that several large carriers have indicated that they are dropping out of national bargaining.

Question: Will individual carrier bargaining have any effect upon the Board's workload?

Answer: The Board's caseload will increase with individual carrier bargaining. Potentially, mediation would be required for up to 16 unions on each rail property. If this occurred our workload would increase significantly.

AIRLINE INDUSTRY - COLLECTIVE BARGAINING

Question: This year, as exemplified by the situations at Eastern, Northwest, and Pan Am, it seems that Federal mediators are having more difficulty than usual getting airline labor and management to reach agreement on contract terms. Both Northwest and Pan Am have refused to go to arbitration to resolve outstanding issues, and all three carriers have made contingency plans in order to continue flying should strikes be called. Why is there so much confrontation in collective bargaining in the airline industry?

Answer: Confrontation is at the heart of the collective bargaining relationship. It must be anticipated whenever conflicting economic interests meet, whether in a corporate boardroom or at a collective bargaining table. We agree, however, that the level of confrontation in the airline industry has been heightened in recent years. This result was not unexpected. In the years following deregulation, the airline industry went through a period of retrenchment and concessionary bargaining was the norm. With the survival of carriers at stake, there appeared to be less confrontation in the industry. Fortunately, most of the industry recovered financially, with certain notable exceptions including Eastern Air Lines and Pan American. But an increased level of confrontation was the natural by-product.

AIRLINE MERGERS - EFFECT ON UNION REPRESENTATION

Question: I am told that the large airline merger activity has forced the National Mediation Board to review its post-merger policy regarding union representation rights. For example, air carrier labor unions may have reached agreements prior to a merger or consolidation. After the merger, disputes arise as to which union represents the air carrier employees. Briefly, how has this merger activity affected how the Board handles union representation issues?

Answer: The Board used the TWA-Ozark merger as the vehicle for enunciating its new merger policy. In essence, the Board expects to be notified at the same time the carriers request regulatory approval to merge, even if an operational merger is not contemplated at that time. The Board will conduct an investigation and, if appropriate, will terminate the certifications of the unions on the non-surviving carrier. These former incumbents are given certain preferential treatment in order to trigger an election should they choose to represent the employees of the merged carrier.

Question: Has this activity increased the Board's workload?

Answer: Yes! We have had a number of unique and challenging matters presented to us as a result of merger activity.

DATA PROCESSING COSTS

Question: The Board's request for information systems shows a decrease of $46,000, or 12 percent, from last year's amount of $370,000. What is the status of the Board's information automation efforts?

Answer: During FY 1988 we plan to replace the rest of the present word processors with personal computers and continue to upgrade our whole ADP system.

Question: What does the decrease in funding reflect?

Answer: We will have completed the replacement of old equipment by the end of FY 1988, therefore, there is a decrease in capital investment in FY 1989.

Question: What productivity gains have been accomplished?

Answer: The Board has made great advancement in tracking the railroad grievances caseload. The information system tracks all significant data pertinent to processing a case through established procedures and will facilitate efforts to produce reports. Also it has allowed us to obtain greater control in our management of the grievance adjustment program.

Question: Will the Board make use of automated systems in the new railroad grievance procedures?

Answer: We will continue to use the systems to track the caseload and neutral referee activities.

TRAVEL COSTS

Question: On page 21 of your budget justification, you estimate travel costs of $250,000 in fiscal year 1989. This is an increase of $46,000, or 22.5 percent, over last year's amount of $204,000. What are the reasons for the substantial increase in travel costs?

Answer: The FY 1988 travel estimate was reduced by $46,000 pursuant to Congressional mandate. While it has been difficult to reduce travel in mediatory services and the adjustment of railroad grievances activities, we have been successful in keeping travel cost down. But it will be difficult to continue at this level during FY 1989 without impacting our programs particularly in light of the anticipated increase in railroad mediation. The increase of $46,000 will bring us to the level before the mandated reduction.

Question: In particular, your projections for total travel days have increased by 20.5 percent from 1,120 days in fiscal year 1988 to 1,350 days in fiscal year 1989. The increase over 1987 total travel days is 24.5 percent. What accounts for this large increase in total travel days?

Answer: The 1988 travel days estimate reflects the cost reduction mandated by Congress. While we may be able to reduce travel during FY 1988, we expect that the mediation activity especially will pick up requiring more travel to local properties.

QUESTIONS SUBMITTED BY SENATOR LOWELL P. WEICKER. JR.

Question: What was the Board's original budget request to the Office of Management and Budget?

Answer: The Board's original budget request for FY 1989 as submitted to the Office of Management and Budget was for $7,048,000.

Question: The President's Budget for the Board requests $498,000 less than the FY 1988 appropriation for the adjustment of railroad grievances activity. The budget justification indicates that less funds are needed because of the implementation of recommendations for improvements issued by the railroad labor-management committee examining grievance activities. Is the Board confident that the requested amount will be sufficient to support railroad grievance activities in FY 1989?

Answer: We believe that the request for this activity is sufficient. After careful consideration of what we see as a trend toward higher productivity on the part of the referees, an increased settlement rate short of arbitration and the use of procedures designed to handle high volumes more efficiently, we think that the amount of $1,800,000 is adequate. We believe that the parties will see this as a message of confidence in their expressed desire to improve their system.

Question: What was the Board's original request to the OMB for railroad grievance activities for FY 1989?

Answer: Our request to the Office of Management and Budget for referee services was for the amount of $2,184,000.

Question: If the "improvements" in grievance activities do not receive the anticipated savings, what would the impact be on the Board's ability to respond to railroad grievances pending and received in FY 1989?

Answer: The Board will respond to pending railroad grievances as it does now, that is, by allocating resources so as to maintain a program throughout the entire year, pressing the parties and the neutral referees to conserve funds by increasing productivity, reducing travel costs, reducing the number of cases processed to arbitration and concentrating on improving the grievance handling system in the industry.

Question: Does the Board anticipate the high level of merger activity in the airline industry to continue in FY 1989?

Answer: No. We believe that major carriers are solidifying their marketing arrangements with the regional carriers but that mergers as such will occur with less frequency.

Question: If it does, will the Board have sufficient resources to meet the demand for services?

Answer: We believe we will be able to meet any additional demand with the present workforce.

U.S. NATIONAL COMMISSION ON LIBRARIES AND INFORMATION SCIENCE

STATEMENTS OF:

JERALD C. NEWMAN, CHAIRMAN

DR. BESSIE B. MOORE, VICE CHAIRMAN

ACCOMPANIED BY:

MARGARET PHELAN, ACTING EXECUTIVE DIRECTOR

MARY ALICE HEDGE RESZETAR, ASSOCIATE DIRECTOR

INTRODUCTION OF VICE CHAIR

Senator CHILES. Now we will hear from Jerald C. Newman, Chairman, and Bessie M. Moore, the Vice Chairman of the U.S. National Commission on Libraries and Information Science.

Senator BUMPERS. Mr. Chairman, will you indulge me just a moment. I'm going to have to leave because I have to chair another hearing, coincidentally, of the Appropriations Committee. But I am afraid if I didn't come down here and introduce Dr. Moore to both you, the audience and the record, God would strike me dead.

Dr. Moore is probably as well known or better known than either me or the Governor in Arkansas and probably in a more favorable light.

Senator CHILES. That is understandable. [Laughter.]

Senator BUMPERS. Well, she is also the one person that I feared when I was Governor. When I was first elected Governor, one of the chief campaign platforms was that I would reorganize State government. And I was about to get it done until Dr. Moore did not want the library board to be integrated with the Department of Education. We finally dragged her kicking and screaming into doing it.

But I can tell you that she is a real power. But more than that, she is extremely tenacious. I have always said that I would run for God if I were as tenacious as Dr. Moore is. I'd never settle for being Senator or President.

But having said that, I can't overstate and emphasize what she has meant to our State and the library. She is Miss Librarian in Arkansas. When people in my State think of libraries, they think of Bessie Moore. She was appointed by Lyndon Johnson to the National Advisory Commission on Libraries. And she has held this job since 1970 I guess, isn't it, Bessie?

Dr. MOORE. Yes.

Senator BUMPERS. Since 1970. She has been reappointed and reappointed by about four or five successive Presidents. They are just like I am. They are afraid not to reappoint her.

But in any event, she lectures at leading universities. She has taught school since the age of 14, which will give you some idea of what she has been like her entire life. And we are most honored to have her here this morning. I have read her testimony, and I have read Mr. Newman's testimony also. And I appreciate the opportunity of being here this morning to introduce her to you, Mr. Chairman.

Senator CHILES. Well, I thank you for coming down, and I want you all to know that one of the thorns in my side in this subcommittee when it comes to libraries is the Senator from Arkansas who is always saying that you have to do some more regardless of what I have decided to do. So, we are delighted to have him down here and to have you all here.

Mr. NEWMAN. Senator Chiles, Senator Bumpers, it is a pleasure for us to be here.

Senator CHILES. I feel like I ought to give Miss Bessie some equal time. Just a minute before you start.

STATEMENT OF DR. BESSIE B. MOORE

Dr. MOORE. Thank you, Mr. Chairman.

I couldn't say enough about Senator Bumpers and his role as Governor of Arkansas. There isn't any doubt that he made great changes.

Senator BUMPERS. Pull that microphone up closer. I want everybody to hear this. [Laughter.]

Dr. MOORE. There is no doubt that he set Arkansas on a different tone, and a different way of doing its business and handling its finances.

Senator CHILES. Has it gotten itself straightened out yet? [Laughter.]

Dr. MOORE. We had a disagreement at one time, as Senator Bumpers said. But the point of that story is one that he didn't tell, and that is as a State employee that I openly disagreed with him. I never heard a word from him about it. Not many Governors would tolerate such impudence. And that is the moral of the story.

PREPARED STATEMENT

It is a great pleasure for me to know that Senator Bumpers thinks highly of me, but he couldn't think as highly of me as I do of him. We are very happy to have him as our Senator, and I am only sorry that he didn't run for President.

Senator CHILES. Thank you, ma'am.

All right, sir.

[The statement follows:]

STATEMENT OF BESSIE B. MOORE

Mr. Chairman and members of the Subcommittee, my name is Bessie B. Moore and I am the Vice-Chairman of the National Commission on Libraries and Information Science. I am here to urge your support for a budget of $755,000 to continue and advance the important work of the Commission during Fiscal Year 1989. NCLIS is a small federal agency with a big impact. Throughout our history we have repeatedly been asked to take on projects that other agencies could not tackle. This is because our unique mandate enables us to make assessments of the information needs of all facets of society and then develop innovative, cooperative approaches to providing the needed information. Attached to my testimony, Mr. Chairman, is a list of major accomplishments I believe would never have happened if it had not been for the Commission's unique role in the federal government.

As the only Commissioner continuously appointed to NCLIS since it was established in 1970, I have had a wonderful opportunity to witness the long range results of many of our programs. For example, as part of our national needs assessment in the 1970s, we went to Indian reservations and listened firsthand to the Indians' descriptions of their need for libraries and information resources to improve their lives. Later, when we were asked to advise Congress on the revision of the Library Services and Construction Act, we were able to bring these needs to the attention of Congress and see them addressed through a new LSCA Title IV which now provides grants directly to Indian tribes for the development of libraries.

Our authorizing legislation, as amended, requires that one of our fifteen Commissioners be knowledgeable with respect to the library and information needs of the elderly, and I am proud to be that Commissioner. At my request, the Commission turned its attention to the nation's elderly by assigning that program area priority status in 1984. Since then we have seen a dramatic "ripple effect" from the Commission's efforts to link together services and programs for the elderly. The NCLIS Aging Program serves as a perfect example of how NCLIS, in its advisory role at the highest level of our government, is able to build new bridges of access to information for all our citizens.

In just three short decades older people will make up one-fifth of the United States population. As Americans approach the age of retirement, they need new kinds of information to cope with the demands of daily living. Not only the elderly themselves, but their many caregivers and service providers need readily accessible information on an entire spectrum of subjects from health care to housing. When the Commission examined the national pattern of providing essential "coping" information to elderly Americans, we found that there was very little cooperation between local public libraries and community agencies that serve the aging. This led NCLIS to initiate an Interagency Memorandum of Understanding with the Administration on Aging to encourage libraries and the national network of agencies that serve the aging to work together at all levels and thereby improve the provision of information to our fastest growing population group.

Our agreement with the Administration on Aging has stimulated state and local activities such as the "Wellness Program for Older Persons," coordinated by Arkansas State Library and the Arkansas Department of Human Services, which displays materials on health care for the elderly in all public libraries in the state. Since our agreement went into effect, AoA has provided grants to a state library to train librarians to work with older adults, and to a graduate school of library and information science to train social work and library students to provide information and referral services to the elderly. Our Memorandum of Understanding with AoA has also inspired several state libraries and state agencies on aging to enter into similar agreements.

The positive results stemming from implementation of the Memorandum of Understanding with the Administration on Aging gave impetus to the Commission's developing a Memorandum of Understanding with the ACTION Agency that would focus on the use of older persons in volunteer opportunities providing library and information services to the elderly. The premise of the MOU was that professional librarians, who are knowledgeable in serving the aging, would work with older adult volunteers. Our MOU was recently modified to include the VISTA program through the Older Adult Volunteer Program of ACTION. This could promote improvement and better use of library and information services to the elderly.

At last summer's American Library Association annual conference, NCLIS cosponsored a program that featured Congressman Claude Pepper as the keynote speaker and presented the many ways that librarians, library trustees, and service providers to the aging can work together. This program attracted over 600 people and generated so many new ideas, activities, and partnerships that it created a demand for a full two-day preconference on this topic at the 1990 ALA annual conference in Chicago.

A booklet we prepared for last summer's program, entitled "Information for Successful Living: Programs that Work for Third Agers and Beyond" is being reprinted for us by the Virginia State Library in response to popular demand. This publication describes 32 existing library programs for older adults in various states around the country. An article on the results of our cooperative agreement with AoA appeared this month in a national professional journal. Even as the word spreads about what has been accomplished, we are expanding our horizons by exploring cooperative ventures with the American Association of Retired Persons and other national organizations.

Mr. Chairman, I believe that through our Aging Program we have exerted national leadership and laid a solid foundation for improved services to America's elderly citizens. But this program is only one example of what NCLIS has done and can do. The Commission is dedicated to meeting the information needs of all our citizens in all phases of their lives. For children and young adults, who are at the stage of forming their reading habits and attitudes toward learning, we launched the National Library Card Campaign, a cooperative effort to encourage all students in the nation to have and use a library card. For parents and schools, who are expecting more from libraries that ever before, we are helping to strengthen the role of school library media centers in our educational system, and we are looking at current questions such as the role of libraries in relation to latchkey children. For the millions of adults who cannot read, NCLIS started a pilot literacy program using computer-assisted-instruction software developed by the Department of Defense and transferred, through our efforts, to library settings. For voters and their elected officials, NCLIS is seeking private sector support to develop a videotape presentation that will help voters understand the range of current issues information they can obtain from libraries, and help libraries strengthen their capabilities as local government resource centers.

It is uniquely the Commission's job to look at the big picture of the library/information environment in our nation, to outline what ought to be, and to devise strategies and plans for getting there. We have had many successes, which I have been privileged to witness over the past 17 years, and with your continued support we will have many more. As a closing thought, I would like to point out that the success of our efforts ultimately depends on the highly qualified and dedicated library/information professionals in this nation who do the grassroots work of bringing information to the people. I believe, Mr. Chairman, that we are again facing a shortage of librarians, especially in the crucial area of services to children and youth. Preservation is another area where the library/information profession currently cannot supply its own needs. These and other national problems affecting citizen access to information call for national leadership that can bring together public and private interests at all levels to formulate a solution. That is why the National Commission on Libraries and Information Science is here, and that is why we ask for your continued support for our work.

Thank you, Mr. Chairman, for the opportunity to appear before your subcommittee today.

HIGHLIGHTS OF SOME NCLIS ACCOMPLISHMENTS

INTERNATIONAL INFORMATION TRANSFER

Beginning in FY 1983, NCLIS became the Secretariat for the United States National Committee to the UNESCO General Information Program. After the U.S. withdrew from UNESCO, the State Department asked NCLIS to advise on international library/information/archives program that further U.S. objectives. Recommendations are being made on programs which should receive funding under the Foreign Assistance Act.

TRAINING INDIAN LIBRARIANS

NCLIS encouraged the establishment of the American Indian Library Association which now has over 150 members.

NCLIS was an advisor to the Training and Assistance for Indian Library Services (TRAILS) program at the University of Oklahoma. This project was funded by the Higher Education Act, Title II B to provide training and assistance to American Indians and Alaskan Natives for improvement of public library and information services on their reservations and in their villages.

RURAL NEEDS HEARINGS

NCLIS assisted Congress in coordinating and conducting the Joint Congressional Hearing on "The Changing Needs of Rural America--The Role of Libraries and Information Technology."

INTERMOUNTAIN COMMUNITY LEARNING AND INFORMATION SERVICES

ICLIS enables libraries in rural communities to provide rapid access to information to meet the needs of residents. It currently operates in four intermountain states. NCLIS worked with Congress and the Department of Agriculture to get the program running autonomously at the state and local levels and provided guidance to ICLIS to obtain their $2.7 million grant from the Kellogg Foundation.

INFORMATION NEEDS OF THE AGING

NCLIS is working with the Chief Officers of State Library Agencies, the Administration on Aging, Department of Health and Human Services, National Association of State Units on Aging, National Association of Area Agencies on Aging, ACTION, and the Department of Labor regarding library and information services provided to the aging.

COPYRIGHT

NCLIS was instrumental in working out the five year review component which allowed the deadlocked Copyright Act of 1976 to proceed.

1979 WHITE HOUSE CONFERENCE ON LIBRARY AND INFORMATION SERVICES

On November 15, 1979, after more than two decades of dedicated effort on the part of librarians, trustees and concerned citizens, the first White House Conference on Library and Information Services was convened. There were five major themes addressed: (1) Personal Needs, (2) Lifelong Learning, (3) Organizations and Professions, (4) Governing Society, and (5) International Cooperation and Understanding. These major themes emerged from an analysis of the more than 3,000 resolutions and recommendations sent to the Commission from the 57 state and territorial pre-conferences.

TECHNOLOGY TRANSFER FOR ADULT LITERACY

NCLIS initiated a demonstration project with the Department of Defense/Army Human Engineering Laboratory, for transferring technology developed by the U.S. Navy Personnel R&D Center to local libraries for an adult literacy program. The Department of Education and the private sector have participated in discussions which have explored the possibility of extending and expanding the demonstration project.

NATIONAL LIBRARY SYMBOL

NCLIS was instrumental in the Federal Highway Administration's adoption of a national library symbol for use on highway signs.

CONTINUING EDUCATION

NCLIS was instrumental in setting up the permanent Continuing Library Education Network and Exchange (CLENE).

BIOGRAPHY OF BESSIE B. MOORE

HOME ADDRESS : 712 Legato Drive, Briarwood
Little Rock, AR 72205

HOME TELEPHONE: 501-225-6914 (If no answer call 501-371-2326)

MAIDEN NAME : Bessie Grace Boehm

BIRTHPLACE : Owensboro, Kentucky

Lived in Arkansas since 1914

MARITAL STATUS: Widow. Married Merlin Malcolm Moore, 1928 (Deceased, 1958)

EDUCATION

1942 - BSE, University of Central Arkansas, Conway, Arkansas.

1962 - MA, University of Connecticut, Storrs, Connecticut.

EXPERIENCE AS EDUCATOR

1962 - 1979 Executive Director, Arkansas State Council on Economic Education.

1970 - 1974	Executive Director, Arkansas State Council on Economic Education and State Coordinator, Environmental Education, Arkansas Department of Education, Little Rock, Arkansas.
1962 - 1974	Administrator, Arkansas Department of Education, Little Rock, AR, with responsibilities for Economic Education, Development of School Librairies and Executive Director, Arkansas State Council on Economic Education.
1959 - 1965	State Supervisor, Elementary Education, Arkansas Department of Education, Little Rock, Arkansas.
1966 - 1967	Consultant to U.S. Office of Education on Economic Education.
1939 - 1944	City Supervisor of Elementary Education, North Little Rock, Arkansas.
1933 - 1935	Supervisor, Nursery School Education, Arkansas State Department of Education.
1932 - 1979	Summer Faculty University of Arkansas, Fayetteville; University of Arkansas at Monticello; Arkansas Tech University, Russellville; and University of Central Arkansas, Conway.
1924 - 1932	County Supervisor of Jefferson County Schools, Pine Bluff, Arkansas.
1916 - 1926	Classroom Teacher, Stone County, Pulaski County, Arkansas.

ADVOCATE FOR LIBRARIES

Member, U.S. National Commission on Libraries and Information Science, 1971-. Appointments by Presidents Richard Nixon, Jimmy Carter and Ronald Reagan. Vice Chairman since 1972 (Vice Chairman elected by members, Chairman chosen by President of the United States).

U.S. National Advisory Commission on Libraries. Appointed by President Lyndon Johnson (Recommended permanent National Commission), 1965-1967.

Testified before House Labor and Education Committee in behalf of Library Services Act, 1956. Testified in behalf of libraries before both U.S. Senate and House Committees many times, annually since 1971-.

Member, Committees of American Library Association dating back to 1950.

Member, Arkansas State Library Commission, 1941-1979; Chairman, 1949-1979. (Serving under nine governors)

Distinguished Guest Lecturer, School of Library Science Louisiana State University, 1976, and University of Texas, 1979.

Lecturer, University of Michigan (annually since 1974), University of Nebraska, Florida State University, University of Arizona, University of South Florida, and Rutgers University.

Chairman, Trustees of State Libraries, American Library Association, 1970-1972.

Member, National Book Committee, 1968-1974.

Chairman, Jury on Citation of Trustees, American Library Association, 1969-1970.

Delegate, International Federation of Library Associations @IFLA=, Italy, 1964; Finland, 1965; West Germany, 1968; Russia, 1970; Hungary, 1972; Belgium, 1977; Washington DC, 1978; Canada, 1982

Member, Legislative Committee, American Library Association, 1961-1967.

Speaker at Library meetings in many states and Canada, 1934-.

Speaker at Governor's Conference on Libraries in 10 states, 1975-1979.

President, American Library Trustees Association, 1957-1959.

Organized first county library in Arkansas, Pine Bluff, Arkansas, 1926.

LIBRARY AWARDS

Chosen by Women's National Book Association as one of 70 women "who have made a difference" in books and reading, 1987.

Honored by American Library Trustee Association with establishment of Bessie Moore Fund, 1981.

Chosen as Honorary Member, American Library Association in recognition of services to libraries, especially in legislation, 1980.

Awarded certificate of special recognition for more that five decades of service to libraries by White House Conference on Libraries and Information Science, 1979. (All other recipients were members of Congress.)

Winner, American Library Association, Trustees Award, 1954.

BUSINESS EXPERIENCE

Owned and operated a successful Main Street business in Little Rock for several years.

Member of the Board, Maumelle Land Development, Inc., 1973-1976.

Member, Board of Directors, First National Bank of Little Rock 1971-1979.

CIVIC ACTIVITIES

Member and Finance Chairman, Arkansas Sesquicentennial Commission 1983-1986; appointed by Governor Bill Clinton.

Chairman, Ozark Folk Cultural Center Commission, 1963-. Resulted in the building and operation of the Ozark Folk Center at Mountain View, Arkansas (the only folk center of its kind in the nation).

Member, Governor's Advisory Committee on Aging, 1969-1979, 1980-1982, 1984-.

Member, National Board of Governors, American Association for the United Nations, 1950-1957; appointed by Eleanor Roosevelt, Chairman.

Member, United States Committee for UNICEF, 1958-1970.

Member, Committee of Little Rock citizens whose findings resulted in the expansion of Little Rock Junior College to a four-year institution (now the University of Arkansas at Little Rock), 1956-1958.

Vice President "Keep Arkansas Green," 1978.

Member, Governmental Affairs Committee, Little Rock Chamber of commerce, 1950-1958.
Member, Advisory Committee Arkansas Office, Small Business Administration, 1974-1977.
Member, Governor's Advisory Committee on Status of Women, 1968-1972.

ORGANIZATION AFFILIATIONS

American Association of University of Women.

Delta Kappa Gamma, Arkansas Founder and State life member.

Little Rock Soroptimist Club, Past President.

Arkansas Congress of Parents and Teachers (Past Vice President and life member).

American Academy of Political and Social Science.

Woman's City Club, Little Rock.

Fine Arts Club, Little Rock.

Arkansas Arts Center, Little Rock.

Quapaw Quarter Association, Little Rock.

HONORS AWARDED BY COLLEGES AND UNIVERSITIES

Included in Behold Our Works Were Good published by the Women's History Institute, University of Arkansas at Little Rock, 1988.

Honored by official Sesquicentennial publication--Bessie Moore, A Biography by George L. and Mildred Fersh--256 pages; Publisher, August House, 1986. Sponsored by the University of Arkansas at Little Rock.

Honorary Doctor of Library Science, University of Arkansas at Little Rock, 1986.

Adjunct Professor University of Arkansas at Little Rock, 1979-.

Center for Economic Education designated "Bessie Boehm Moore Center for Economic Education" by Board of Trustees, University of Arkansas, Fayetteville, 1978; dedicated, 1979.

Honorary Member, Alumni Association, University of Michigan Library School, 1978.

Distinguished Alumna Award, University of Arkansas, 1974.

Honorary Doctor of Laws Degree, University of Arizona, 1977.

Honorary Doctor of Laws Degree, University of Arkansas, 1958.

HONORS

Listed in:

Included in 100 Arkansas Women of Achievement by Arkansas Press Women, 1980.

Who's Who in American Women.

Some Remarkable Women in Arkansas, Volume I, International Women's Year Publication.

Distinguished Americans of the Bicentennial.

World Who's Who of Women.

Directory of Education Specialists.

Academy of American Educators, 1973-1974.

Arkansan's of the Years, Volume I.

Community Leaders and Noteworthy Americans.

Personalities of the South.

NATIONAL AND INTERNATIONAL HONORS

Chosen by Women's International writing Guild as one of 12 women in the United States as "Artist of Life," 1987.

Chosen by Women's National Book Association as one of 70 women in U.S. who have made a difference in books and reading, 1987.

Certificate of Appreciation from ACTION for volunteer efforts and keynote speaker at Women's Equality Day, August 26, 1987.

Honored by the Joint Council on Economic Education, New York. The council's annual award for Distinguished Service to Economic Education was designated the "Bessie Moore Award," 1987.

Honored by Joint Council on Economic Education for contributions to the continuing cause of better economic understanding, 1982 (refer to above).

Cited for distinguished service by the U.S. Committee for Unicef, 1985.

President, National Association of Economic Educators, 1971.

Received George Washington Medal of Honor by Freedoms Foundation, for Distinguished Service to Education, 1969.

Defense Advisory Committee on Women in the Services (DACOWITS), 1961-1964. Appointed by Robert S. McNamara, Secretary of Defense.

Selected by Department of State to be guest of Republic of West Germany to inspect and evaluate effects of Marshall Plan Aid, 1964.

Selected by Defense Department as Vice Chairman of DACOWITS to visit military installations including hospitals, to see conditions under which women in the armed services were serving abroad, 1964.

Member, Radio Free Europe Tour, 1961 (Crusade for Freedom). (In Berlin a short time after the erection of the Berlin wall.)

ARKANSAS HONORS

The Rector Award (given occasionally) for distinguished civic service by "Fifty For the Future," (a Little Rock area organization of outstanding business leaders), 1986.

Commended by the Legislative Council, General Assembly of Arkansas (Interim Resolution 83-4) on her many outstanding contributions to education and libraries in the State of Arkansas and the United States, 1983.

Chosen as Arkansas "Citizen of the Year" by the March of Dimes, 1979.

Inducted into Arkansas Tourism "Hall of Fame," by Governor Bill Clinton, 1985.

Awarded certificate of recognition by Governor Bill Clinton for distinguished public service, 1979.

Honorary Membership Beta Gamma Sigma, University of Arkansas Chapter, 1979.

Cited as "Churchwoman and Citizen Teacher of Economics" by the Clergy of Arkansas, 1979.

Distinguished Leadership Award, Arkansas Bankers Association, 1978.

Member of the Board, Arkansas Foundation of Associated Colleges, 1975-1977.

Member, Advisory Committee, College of Business Administration, Arkansas State University, Jonesboro, 1973-1976.

Received C. E. Palmer Award for outstanding service to the State of Arkansas during the past year by the Junior Chamber of Commerce, 1959. (Recipient preceding year was Senator J. William Fulbright; succeeding year recipient was Winthrop Rockefeller).

Member, Advisory Committee, College of Business Administration, University of Arkansas at Fayettville, 1967-1972.

Distinguished Service Award, American Association of University Women, Arkansas Branch, 1966.

Award for outstanding service to State of Arkansas by American Association of University Women, Arkansas Chapter, 1965.

Honorary Membership in Arkansas Library Association for Distinguished Service to Libraries, 1966.

Awards from Arkansas State Chamber of Commerce, 1978 and 1964, for Distinguished Service to Arkansas in Economic Education.

Citation in recognition of valuable contributions to the conduct of the Arkansas project and to the development of the National Junior Chamber of Commerce "Operation Library," 1956.

RECOGNITION BY OTHER STATES

Honorary Admiral, Texas Navy, 1988.

Distinguished Visitor, Guatamala City, 1979.

Honorary Citizen, West Virginia, 1976.

Colonel, Aide-de-Camp to Governor of Louisiana, 1975.

Colonel, Aide-de-Camp to Governor of New Mexico, 1974.

Admiral, Great Navy, State of Nebraska, 1968.

Kentucky Colonel, 1967.

Honorary Citizen, Lubbock, Texas, 1967.

Arkansas Traveler, 1952.

CHURCH

Member, The First United Methodist Church, Little Rock, Arkansas.

HIGHLIGHTS

Started teaching school at age 14 at St. James, Stone County, Arkansas.

Served 38 years under nine governors (Homer Adkins to Bill Clinton) on the Arkansas State Library Commission. Chairman the last 28 years.

Developed nationally recognized program for economic education in Arkansas schools, 1962-1979.

State Supervisor of Elemetary Education, Arkansas Department of Education with responsibility for development of school libraries, 1959-1965.

U.S. National Advisory Commission on Libraries. Appointed by President Lyndon Johnson (Recommended permanent National Commission), 1965-1967.

Appointed four times to U.S. National Commission on Libraries and Information Science by three Presidents of the United States [Nixon (twice), Carter and Reagan].

Has reflected credit on the State of Arkansas through her many contacts and broad acquaintances in this and other countries where she has traveled both officially and privately.

At age 85 continues in active role of lecturing at leading universities, as well as consulting in economic and career education serving as a library advocate and as a world traveler.

Started a new career at age 58.

She is a real "Arkansas Traveler".

STATEMENT OF JERALD C. NEWMAN

Mr. NEWMAN. Mr. Chairman, Senator Bumpers, it is a pleasure to be here with you. Obviously my vice chairman needs no introduction at this point. However, on my right we have our Associate Director, Mary Alice Hedge Reszetar from Maryland and a native Floridian, and our Acting Executive Director, Margaret Phelan from Kansas, who is also a member of the Commission itself. Also, in the audience this morning is Eileen Cooke who is the Director of the Washington office of the American Library Association. We are very pleased to have her here with us, as well.

We are grateful for the Senate's support for the past 17 years. Although we are a tiny Commission and our budget request is for some $755,000, we very much appreciate your support.

NON-FEDERAL FUNDING SOURCES

We have this year been attempting, with some success, to supplement our tiny budget with private sector funds. To date, in this past year we have received some 20 percent of private funds from such varied groups as Pizza Hut and the Readers Digest Foundation which have helped to supplement our work.

NATIONAL LIBRARY CARD CAMPAIGN

We are also working with a major network to have them prepare public service announcements and broadcast these announcements on the national library card campaign which we introduced in October of this past year in conjunction with the American Library Association.

FIRST NATIONAL COMMISSION ON LIBRARIES AND INFORMATION SCIENCE NATIONAL RECOGNITION AWARD

Next week we will be giving our first national recognition award over at the Old Executive Office Building. This award will be given to that organization or person outside of the direct library community who has helped the library and information science area to the greatest extent in the past year. We are very excited about this since we will be raising the visibility and importance of the library and information community in the United States.

PUBLIC LIBRARY STATISTICS TASK FORCE

I have also very recently signed a memorandum of understanding with the National Center for Education Statistics. Under this agreement, we will be working with the State librarians and the entire library community to collect statistics needed to better plan for the future of libraries in our country.

This year, not only are we working with the National Center for Education Statistics, but we are working with other groups to hold a national conference on the role of school library media centers in improving student performance.

CONFERENCE WITH LATIN AMERICAN NATIONS

We did last year, this year we will again hold a conference with Latin American nations, the purpose of which is to get textbook translations of American texts into Spanish so that we can inform our neighbors more about democracy and the free enterprise system. This meeting will be in Washington, DC

PREPARED STATEMENT

We have had many accomplishments for such a small agency, and we look forward to your additional and continued support. Thank you very much.

[The statement follows:]

STATEMENT OF JERALD C. NEWMAN

Mr. Chairman and members of the Subcommittee, I am Jerald C. Newman, Chairman of the National Commission on Libraries and Information Science. I am pleased to present to you our proposed fiscal year 1989 budget request, which totals $755,000. This budget represents our best estimate of the resources needed to maintain current programs and to begin additional work in several areas of national need: helping to eradicate illiteracy in the American workplace; improving our educational system by strengthening school library media centers; enhancing the effectiveness of public libraries as resources for local governance; advancing our economy and national productivity through better use of information; and preparing for the second White House Conference on Library and Information Services, as Congress has asked us to do in legislation passed unanimously by the House and Senate.

Mr. Chairman, we are very grateful to you and the members of the subcommittee for your past support of the Commission's work. Your support has made it possible for NCLIS to achieve many things for the users of library and information services in this country over the past 17 years. Everyone in America benefits from the strengthening of library and information services, but despite our progress we have a long way to go before these services are readily accessible to all our citizens. Today Vice-Chairman, Bessie B. Moore, and I will describe to you some of the Commission's achievements and some of the things that remain to be accomplished.

(The Commission's Unique Role)

As a banker and financial consultant, I am impressed by how much NCLIS, a tiny federal agency, is able to accomplish with its small staff and modest budget. I believe our work is a cost-effective investment in America's future because of the many things we are able to do to promote lifelong learning, national productivity, a strong democracy, and the effective use of information by all members of society. Citizens in all population groups and regions of the country have benefited from the Commission's work. We have paved the way for improved library and information services for the elderly, the illiterate, minority group members, isolated rural residents, and many others in our current programs. To keep in close touch with the needs of all Americans, we have begun holding our quarterly meetings in different cities around the nation.

NCLIS is required by law to advise Congress and the Executive Branch on library and information policies and plans for the nation. In fact, the Commission's unique mandate makes it a major central advisory body on information policy in the federal government. Consequently we serve as a forum for the many weighty issues that confront our society in the Information Age--such as the issue of Sensitive But Not Classified Information, on which the Commission held a hearing last May. We brought together for the first time witnesses from the Department of Defense, People for the American Way, the Information Industry, and all facets of the library community to air their differing points of view in a public forum. Earlier this year, in response to concerns in the library/information community, a representative from the FBI appeared before the Commission to articulate that agency's policy on recent FBI visits to libraries. Although positions may still be far apart on this particular issue, we have stepped in and laid the basis for communication and compromise--an essential process in our democratic, pluralistic society. It is precisely by bringing together the parties and listening to all sides of current issues that the Commission can best fulfill its mandate of advising Congress and the President as they shape national policies for an information society.

In its unique position in the federal government, NCLIS serves as a crucial link with other federal agencies, state and local governments, and the private sector to forge new cooperative partnerships and stretch everybody's dollars.

At the request of the State Department, NCLIS is reviewing and recommending which information projects formerly funded and coordinated by the U.S. delegation to UNESCO should be continued in the interest of the United States. In addition, NCLIS is a participant in a program with USIA, AID and other groups to provide U.S. textbook translations for Latin American colleges and universities. USIA invited the NCLIS Executive Director to be a member of its delegation to the Moscow International Book Fair and to serve on a negotiating sub-group on library and library associations.

Our most recent cooperative agreement is an Interagency Memorandum of Understanding with the Center for Education Statistics in the Department of Education. NCLIS and the Center have agreed to work with the states and the library community to develop a Federal/State Cooperative Public Library Data System that will help the providers of library and information services efficiently collect and obtain the statistics they need. Three years ago NCLIS negotiated an agreement with the Administration on Aging that has fostered innovative cooperation between local libraries and area agencies on aging, resulting in better services to elderly Americans. We have also developed a Memorandum of Understanding with ACTION to encourage the use of older adults as volunteers in literacy programs, and we amended the MOU to include the VISTA Literacy Corps.

(The Commission's Work in Fiscal 1989)

Your support for our budget request of $755,000 for fiscal year 1989 will enable us to concentrate our efforts on program areas that promote literacy, increase productivity, and strengthen democracy. In the coming year we will also bring renewed effort to our essential task of providing expert advice to Congress and the Executive Branch on the library and information needs of the country and the development of national policies and plans to meet those needs.

No goal is more important to a productive, competitive America than literacy. Our objectives for this program area in fiscal 1989 are to foster information finding and using skills in young people, stimulate the creative use of volunteers in literacy programs, and launch new efforts to reduce illiteracy in the workplace. We are cooperating with library and education groups to hold a national conference on the role of the school library media center in improving student performance. Through partnerships with the Department of Labor, the Small Business Administration, and the Business Council for Effective Literacy we will develop a cooperative approach to encourage literacy in the workplace. We will also continue to promote the National Library Card Campaign, which NCLIS launched last October in cooperation with the American Library Association. This effort to encourage every school child in America to have and use a library card has been a monumental success, and Congress has assisted it through legislation introduced which would designate September of this year as National Library Card Sign-Up Month.

To strengthen our democracy, we will implement a program to enhance the capabilities of public libraries to serve as resources for local governance, both for voters and for elected officials. Last month we held a successful conference on this topic to generate ideas and interest from the library/information community and bring together professionals who have been doing valuable work in this area. We will also begin new activities to promote the preservation and conservation of materials that document our national heritage. As governments transfer more of their operations from paper to electronic format, we are particularly concerned with inventorying electronic archives and developing guidelines for defining and preserving those of permanent value.

In the area of productivity, NCLIS plans to help citizens who belong to specialized population groups--such as the aged, the handicapped, and rural residents--gain access to the information they need to become productive members of society throughout their lives. The Vice-Chairman will describe in her testimony how the Commission's work has opened new channels of access to information for elderly Americans. We plan to continue these efforts and also to expand on the work we are doing to assist the learning disabled and other handicapped citizens. We will also concentrate on implementing the recommendations from the series of international meetings on Information in the Economy that NCLIS has cosponsored over the past three years. These recommendations include: standardizing methods for evaluating information as an economic resource and a productive sector of the economy; promoting public awareness of the role of information and the skills and resources required for its effective utilization; and encouraging telecommunications providers to create facilities for enhanced information exchange among households, academic and research groups, libraries, businesses, and government.

In our program area of Policy, Planning and Advice we will continue to advise on policy issues such as the privatization of government information, censorship, and U.S. participation in international library, information, and archives organizations and activities. We will continue to work closely with the Legislative and Executive Branches, bringing major issues to their attention along with our recommendations for necessary action. Because of Congressional interest and the concerns of the library community, we are beginning to examine some new issues that have implications for libraries throughout the nation. One is the problem of public libraries being used by parents as a substitute for day care. Another subject that is being debated is the need for a national program to encourage recruitment of library/information professionals, in light of current and anticipated shortages in the field.

Today the Commission's work is more important and challenging than ever before, in part because of the ever-increasing role information plays in our economy and our society. As the pivot point for library and information policy matters in the federal government, NCLIS builds bridges of understanding between governments at all levels, between the public and private sectors, and between citizens--the end users--and the information infrastructure of our nation. We ask your support, Mr. Chairman and members of the subcommittee, to continue this important work on behalf of all our citizens.

BIOGRAPHY OF JERALD C. NEWMAN

Jerald C. Newman was appointed by President Reagan in May, 1987 as Chairman of the National Commission on Libraries & Information Science, which is a permanent, independent agency that advises Congress and the Executive Branch on national library and information science policies, plans and concerns. Mr. Newman had been serving a five-year term on the Commission, which was due to end on July 19, 1987. Since that date, he was nominated to a second term by President Reagan and confirmed by the U.S. Senate and continues to serve as Chairman of the Commission. His new five-year term ends July 19, 1992.

Born January 10, 1932 in New York City, Mr. Newman received a B.S. in Management in 1953 and an M.B.A. in Management in 1954 from New York University, and completed major concentration requirements in the New York University Graduate School of Business Ph.D. Program.

Mr. Newman is currently a Management Consultant and Investment Banker, with offices located in Lake Success, NY. He has spent the last twenty years in banking; his last position being President of the Bowery Savings Bank. Prior to that time, he held senior positions with Bank Leumi Trust Company of New York and National Bank of North America. He has also served as a management consultant to corporate and government entities in the United States, Central America and Africa. Prior to entering banking, he had responsibilities for information science and data processing activities at R.H. Macy and CBS, Inc.

Mr. Newman has received awards for distinguished service, including the State University of New York at Stony Brook (University Medal) and the Association of the United States Army (Distinguished Service Award), and has also received gold keys for excellence in management from Long Island University and New York University.

From 1967 to 1983, Mr. Newman served as an Adjunct Professor of Business Administration at the C.W. Post Center at Long Island University where he instructed advanced courses in business policy, computer science, and management information systems. From 1976 to 1979 he served as President of the Association of Council Members and College Trustees of the State University of New York. From 1972 to 1974 he was Consultant to the Secretary of Health, Education & Welfare on matters of higher education and civil rights. He has authored Should The Closed Shop Provisions of the Taft Hartley Act Be Amended? (1954), and Can Oil & Water Mix? (1976).

Mr. Newman is currently a member of the U.S. Advisory Panel on ROTC Affairs, is Civilian Aide to the Secretary of the Army, and serves on several Boards, including the National Strategy Information Center. From 1956 to 1958 he served as a First Lieutenant in the United States Army.

BIOGRAPHY OF MARGARET PHELAN

Appointed to the NCLIS in 1984, Miss Phelan is acting in the absence of a permanent Executive Director.

Since 1977 she has headed her own firm, Phelan Business Research, Shawnee Mission, Kansas. From 1960 to 1977 she was Manager of Information Science at Heidrick and Struggles, Inc., Chicago, Illinois, a national executive recruiting organization.

Ms. Phelan holds a B.S. degree from Kansas State University, Manhattan, Kansas, and a M.A. in Library Science from Rosary College, River Forest, Illinois.

LATCHKEY CHILDREN IN LIBRARIES

Senator CHILES. Thank you, sir.

The committee has learned that many parents have come to use libraries as a place to leave their children for long periods of time due to the absence of affordable day care. Has the Commission done any research or been involved in this issue? Do you believe that libraries are effective places or can be changed to be day-care centers?

Mr. NEWMAN. Well, we don't believe they should be day care centers, but it is sort of a mixed blessing. We want children to use libraries, and I guess you are half of the way there if parents bring them to the libraries, but we don't want them to be day-care centers. I don't know that there is a universal answer yet to that question.

However, the commission is meeting next week here in Washington, and this subject will be discussed. We have become very much aware that this is a major issue, and we will be happy to keep you informed of the progress we are making. We are certainly going to study the issue.

LIBRARY ACCESS FOR AGING AND UNDERSERVED

Senator CHILES. Will you describe for us the work the commission is doing to enhance library access for the elderly and also underserved populations such as the economically disadvantaged, the handicapped or the disabled?

Mr. NEWMAN. I would like to defer to my vice chairman, if I may.

Dr. MOORE. Mr. Chairman, I think the elderly are better off because of this Commission and its work. As I mentioned in my written testimony, when we came on the scene to start working to see how we could give better library and information services to the elderly, we discovered that there was not much cooperation between libraries and the agencies which have responsibility for many things relating to the elderly. This realization resulted in the memorandum of understanding which we have with the Administration on Aging.

All through the country and at the State level, we have had great success in securing cooperation between the State agencies on aging and the local area agencies on aging with the local public libraries. This has been a program where nobody loses. The librarians have found that they can give a great deal of assistance providing information to the elderly about such things as coping with health problems and even such things as dealing with grief, which happens to the elderly, of course, as you know, quite often. We have had very good cooperation with the State librarians.

Two years ago we contacted all of the Governors of the States and found great interest and cooperation. I intend to confer with our chairman this week about again sending out a letter to the Governors since many new Governors are in office. We found that the Governors welcome this effort at cooperation because any Governor likes to see cooperation among his local agencies.

I described in my testimony about the wonderful conference that we had in San Francisco last year where Claude Pepper was featured as the keynote speaker. We originally set up 40 tables with 10 seats at each table, and they all filled quickly. Thirty minutes before we started, they put in another 100 chairs, then another 50 chairs, and some people even sat on the floor. We plan, in cooperation with the American Library Association, to have a day-long conference in Chicago next year.

That answers the questions, I think, about the elderly. We are also working very closely with ACTION with their enthusiastic support. I'll be meeting with them again this week.

So, at the Federal, State, and local levels we are doing a great job, I think. We have found that in the smaller communities where the librarians and aging agencies know the elderly people, personally, they can do a great deal more for them because it is even easier to do it.

USE OF RURAL LIBRARIES

Senator CHILES. I think that certainly in our rural communities libraries seem to get used more in some ways. They are a tremendous resource. Of course, even the traveling bookmobiles that go out I notice are used widely. I remember when I walked the State the first time in 1971, I would run into the traveling bookmobiles, and they delivered books to me. And I would read and turn in the books as I went down the State even.

Also, all of us have some memories I guess about times when we sort of had to use libraries. When I went into the service and went to Fort Jackson, SC, I remember I was leaving college and sort of leaving the nest and going in to be an officer, but it took 30 days before I got any money. And when we got to Columbia, SC, we went to the local public library and borrowed 25 cents to get a card. We read a lot for 30 days because that is all we were doing was reading until I could get a first paycheck. But I think all of us have had those kinds of experiences and know that we have these tremendously valuable resources out there and are trying to make sure that the public knows they are available and have access to them.

Let me ask you what the activities of the commission have been in promoting literacy.

NATIONAL COMMISSION ON LIBRARIES AND INFORMATION SCIENCE LITERACY PROGRAM

Dr. Moore. Well, we have been doing a great deal in that field. As you probably know, there is a group of people from nine different agencies, I believe, that work together nationally and we are a member of that Coalition for Literacy.

The public libraries, all over the country have been a wonderful place for literacy groups to meet, for people to go, because the illiterate people don't like to go to schools because that reminds them of the failure they had in school in not learning to read. Libraries make a perfect place for literacy programs, and the librarians all over the country have done more than their share of the effort to try to teach people to read, although more is not really the right word. They have just done all they could. We have never heard of an instance where libraries have not cooperated with literacy efforts. There will be more of these cooperative efforts, I think, as time goes by.

Mr. Newman. Mr. Chairman, we feel the national library card campaign also is a great assist to literacy especially for younger people. In the State of West Virginia alone, they signed up over 350,000 students to get library cards under the national library card campaign.

SECOND WHITE HOUSE CONFERENCE THEME

In addition, one of the themes of the proposed White House Conference, which would be the second White House Conference on libraries, has as one of its three major themes library and information services for literacy.

Senator Chiles. Senator Bumpers?

FEDERAL BUREAU OF INVESTIGATION LIBRARY AWARENESS PROGRAM

Senator Bumpers. Mr. Newman, I want to ask you a few questions now. Senator Weicker has submitted some questions, Mr. Chairman, for the record. And the questions deal with one of my concerns. And that is the question of the FBI visiting the libraries across the country.

I find that very troubling, but without going into the history of what has happened, tell me what is the status of the libraries and this Commission with the FBI right now.

Mr. Newman. This Commission had a session with the Deputy Director of the FBI's Intelligence Division, Tom DuHadway, at our San Antonio meeting. We had a presentation by the FBI because the library community, particularly the Intellectual Freedom Committee, had said there was a violation of first amendment rights by the FBI. As a result of our listening to the FBI and having their presentation, we could find no substantiation for a limiting of either access or a denial of first amendment rights.

We have further offered to the Intellectual Freedom Committee to act as an honest broker with the FBI, and the FBI has agreed to holding a meeting with the Intellectual Freedom Committee explaining their program. We offered 3 days in March, and we have offered a series of dates in April, and to date there has been no response from the Intellectual Freedom Committee. That is where it stands right now.

Senator BUMPERS. Well, it goes without saying that, as a stout defender of the Constitution, I am really troubled when the FBI, if they in fact have gone around to librarians and asked them to report any suspicious activities on the part of anybody asking to borrow or copy materials that might be of a sensitive nature or affect our national security. If there is a document in the library anywhere that would do that, then we have other laws which would take the material off the shelves.

Mr. NEWMAN. Senator, may I say that Mr. DuHadway has assured us that they have no intention of restricting anyone's access to reading materials or even being interested in what reading materials are being obtained, that their interests are totally different. It has nothing to do with the contents of the library or any of the materials thereof, whether they be classified or not. They said whatever is in the library should be made available to anyone, foreign or domestic.

Senator BUMPERS. Well, what is their interest?

FEDERAL BUREAU OF INVESTIGATION PROGRAM VOLUNTARY

Mr. NEWMAN. Their interest, if I may take your time, they have had a number of cases—and a great number was cited to us in terms of numbers—that use this program strictly on a voluntary basis. They have asked certain librarians—and it involves something less than 25 libraries—if they so desire, to let them know when certain individuals show up, particularly KGB agents or suspected KGB agents. The FBI says that this has been a very effective program because apparently the KGB goes to libraries and universities in certain selected areas, particularly New York, Washington, DC, and Boston, and they look for third world students who have posted notices saying they are looking for part-time positions. Then the KGB then offers them a part-time position of just duplicating and Xeroxing ordinary items in the library.

KGB RECRUITING TECHNIQUES

Over a period of time, years in fact, they get them to do more and more work for them, unrelated to the library, but going to the library, getting information, readily available information, and then they point them in the direction of a job at a defense related industry, and they get them to sign a contract. And at the point they sign a contract, they then get them to try to get a job in a classified project. At that point, the KGB then has that student as an operative because they have then lied if they get a classified assignment because they are in the pay of the Soviet Union.

The FBI says they have very good success through this FBI awareness program in determining who are KGB agents, and that is their purpose.

Senator BUMPERS. What if my name is Vatimer Polensky, and I, and my father and grandfather and great grandfather have been living in this country for 100 years. And the FBI says, well, his son has been in the Soviet Union three times, or some such thing as that, and we just suspect he may be a KGB agent, when in fact, he may be a medical research student who will make a great citizen of this country. When we get into this sort of thing, I always wonder where it is going to lead us.

CONGRESSIONAL INTELLIGENCE COMMITTEES BRIEFED

Mr. Newman. Well, Senator, we have been told that the Senate Intelligence Committee and the House Intelligence Committee, as well as Congressman Major Owens, who is a librarian by profession, have all been briefed on the program. I am certainly not qualified to go into all the details of how they proceed with this, but I liken it very much to if I were at home and I saw someone walking around my neighbor's house trying the doors or trying the door to his car, and if I made the decision I wanted to call the police and have them investigate, then that was my decision. If I didn't want to make that decision, then I wouldn't call the police.

What the FBI has said they are conducting is strictly on a voluntary basis, and that the program has allowed them to use their fiscal resources very effectively because their major problem and, therefore, a major cost is identifying who are the KGB agents in this country. I am sure if you want more information on exactly how they go about it, I am certain that FBI will be glad to brief you on it.

Senator Bumpers. Well, I'm going to give them an opportunity to do just that. I have been on the subcommittee of the committee that has jurisdiction over their budget, and anything classified—if it intimidates people or might cause people not to go to a library to get materials that are there for everybody—if there is anything classified there, it ought not to be there.

Mr. Newman. We agree.

Senator Bumpers. If my name were—what shall I say—Mohammed Sadam or Vatimer Polensky, and I knew that the librarian there had been asked to be on the alert for subversive activities, I might not want to go in there, though I might be a very patriotic citizen, and face the risk of having somebody report me to the FBI because I was reading a book like "Hunt for Red October."

Mr. Newman. That was a great book.

Senator Bumpers. I remember the CIA was going to have him indicted, and they found everything in the book was in the Annapolis library, open to the public.

Mr. Newman. Senator, I can tell you on behalf of the Commission, we would not be in favor of anything which would limit access or anyone's fundamental rights to use the library.

Senator Bumpers. Well, Mr. Chairman, I don't want to burden the record or take your time because I am going to have to leave, but I must say I'm going to give the FBI an opportunity to explain this program.

Senator CHILES. We are delighted that you dropped by here for just a brief moment.

Mr. NEWMAN. Senator, thank you very much.

Senator BUMPERS. You never know what you are going to find out when you stop for a brief moment, do you?

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator CHILES. I thank you all for your appearance, and we may have a couple more questions that we will submit to you for the record.

Mr. NEWMAN. Thank you very much, Mr. Chairman.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

FBI Investigations of the Use of Libraries by Foreigners

Senator Chiles: The FBI has recently been reported to be questioning librarians on whether foreigners have been researching sensitive information in their libraries. I know this has been viewed as a controversial practice in the library community.

I understand from your statement that the Commission has done some work around this issue. Please describe the activities you have been involved in.

I also see that the Commission has done some work on the issue of sensitive information and whether the government has classified an excessive amount of material. Please describe your work in this area.

Mr. Newman: Mr. Tom DuHadway, the Deputy Assistant Director of the FBI's Intelligence Division, briefed Commissioners on its Library Awareness Program at the January, 1988, Commission meeting in San Antonio. Commissioners were aware of recent publicity, but prior to this briefing did not have details of the program.

At its May, 1987, meeting, the Commission held hearings on the subject, "Sensitive But Not Classified Government Information." There were participants from People for the American Way, Special Libraries Association, Defense Intelligence Agency, Association for Research Libraries, Information Industry Association, Department of Defense and the American Library Association. These hearings provided an opportunity for the stakeholders to present their points of view on these important information policy issues and facilitated the Commission's understanding of these very significant information policy issues. The Commission will be publishing and widely distributing the hearing record.

Libraries as Day Care Centers

Senator Chiles: The Committee has learned that many parents have come to use libraries as places to leave their children for long periods of time due to the absence of affordable day care. Has the Commission done any research or been at all involved in this issue?

Mr. Newman: NCLIS and ACTION through our Memorandum of Understanding, hope to establish ten demonstration sites nationwide to provide volunteers to assist in children's rooms in libraries. Utilizing RSVP projects in libraries that are experiencing difficulties with "latchkey children," we hope to have a program in place for the start of the 1988 school year.

Senator Chiles: Do you believe programs can or should be developed to use libraries as day care facilities?

Mr. Newman: We do not see libraries in the role of day care centers. However, it is a mixed blesssing because we are getting children into the library. Libraries have traditionally promoted use of their services by children and provided an afterschool haven for doing homework, reading, or participating in programs scheduled for children. What we are currently witnessing appears to be an abuse by some parents of the fine opportunities offered by children's services. The mission of children's services is not day care, but access to information. Imaginative solutions--such as we think we are testing in cooperation with the ACTION agency--will permit libraries' children's services to function effectively in carrying out their mission.

Commission Advising the Education Department

Senator Chiles: The Commission is charged with advising the President and his administration on the development and implementation of library policy. The Education Department has recently proposed to cut funding in half for programs in the Library Services and Construction Act and refocus these programs to ensure services for underserved populations and encouraging resource sharing among libraries of all types.

What role did the Commission have in the development of this new policy?

Mr. Newman: We are pleased that for the first time the administration budget includes library funding. The Commission has consistently, from its inception, advocated a federal role in support of libraries and favored, in appropriations testimony and elsewhere, federal funding for libraries. However, other than supporting funding, the Commission was not active in helping to formulate the new legislative proposal. We do note that the administration proposal although positive would have the effect of reducing last years appropriation amount by $59 million.

Senator Chiles: How often did your Commission members and staff meet with the Education Department in developing this legislative proposal?

Mr. Newman: Other than advocating a federal role in support of libraries, the Commission was not active in helping to formulate the new legislative proposal. The Commission is pleased that there is a request for $76 million for library programs.

Library Access for Underserved Populations

Senator Chiles: Please describe for us the work the Commission is doing to enhance library access for the elderly.

Mr. Newman: We mounted a highly successful three hour program, "Serving the Golden Girls and the Sunshine Boys," at the 1987 American Library Association annual conference in San Francisco that drew an audience of nearly 700 persons--library trustees, administrators, and persons working with and for the aging--interested in learning how to build partnerships and cooperate with one another in serving the elderly. Congressman Claude Pepper was the keynote speaker and representatives from the ACTION agency and the Administration on Aging were part of the program.

For the San Francisco conference, NCLIS developed a brochure describing 35 programs that work in providing library and information services to the elderly. Interest in the brochure called for a reprinting and the State Library and Archives of Virginia has offered to do this.

Additionally, we continue to publish articles about library services to the elderly in journals and newsletters, the most recent--authored by Bessie B. Moore, NCLIS Vice Chairman and Carol Fraser Fisk, Commissioner, Administration on Aging,--appeared in the April 15, 1988 issue of Library Journal.

Senator Chiles: What about other underserved populations, such as the economically disadvantaged, the handicapped or the disabled?

Mr. Newman: The Commission has begun discussion with the Foundation for Children with Learning Disabilities (FLCD) to explore ways in which the Commission could assist with library and information services to children with learning disabilities and their families. We are investigating the establishment of the FCLD Learning Disabilities Resource Guide online to make the information more available and accessible to libraries and their patrons. We are discussing ways to extend the FLCD public library storytelling project to rural states. This project uses storytelling to teach reading to learning disabled children. The project has been successfully carried out in an urban area. We have discussed cooperative work with FLCD in the area of juvenile justice and how to assist those offenders and prisoners who are learning disabled and need special literacy tutoring.

The Commission continues to encourage and promote library literacy efforts through its participation on the Steering Committee of the Coalition for Literacy, and participating on two subcommittees of the Federal Interagency Committee on Education (Rural Education and Occupational Literacy).

Recommendations from the NCLIS task force on Community Information and Referral Service are being implemented by libraries throughout the country to serve underserved populations.

Promoting Literacy

Senator Chiles: I know that libraries have recently enhanced their role in promoting literacy training. Please tell us what activities the Commission has been involved in to promote literacy?

Mr. Newman: In addition to those activities mentioned in response to your "Library Access to Underserved Populations" questions, the Commission, jointly with the American Library Association, launched a national Library Card Campaign in October 1987. This campaign is in response to the challege issued by Secretary of Education Bennett in "First Lessons" where he stated, "Every school should have a library, and every child should have and use a library card." This campaign involving children, their parents and teachers will also aid in breaking the bonds of intergenerational illiteracy.

Information Needs for State and Local Government

Senator Chiles: I understand that the Commission is involved in a local governance program to provide information for local government officials. What are the needs in this area?

Mr. Newman: The focus of the NCLIS program is to promote greater access to information for local governance and to help develop a framework from which public libraries can respond appropriately to the information needs of citizens who seek to influence public policy decisions and of the decisionmakers who govern. To this end the Commission has already convened a meeting whose participants represented both citizen-activists and local government officials to study information needs, exemplary public library programs, related reference standards, documents management, and technology concerns.

NCLIS now proposes to seek funding and professional expertise towards development of a portable program (videotape) which would consist of two segments: one for citizen groups, local government officials, and library professionals illustrating a case study of information gathering on a selected "local issue," and one aimed at librarians to provide examples of innovative governance programs and practical considerations in instituting such a program. Despite the great need, it appears that current public library efforts do not yet meet their potential in providing information services for governance.

Commission's Work with the State Department

Senator Chiles: Please describe for us the work the Commission is doing with the State Department.

Mr. Newman: The advisory work NCLIS has been doing with the State Department has helped the U.S. maintain its presence and influence in several international nongovernmental organizations that are important to U.S. interests. For example, NCLIS recommended that grants be given to the National Information Standards Organization (NISO) which participates in the International Organization for Standardization to help develop worldwide standards for information products and services. Development of standards favorable to the U.S. information industry help us remain competitive in the international market. The grants NCLIS recommended to the State Department for NISO have resulted in a number of very positive developments for the U.S., including a much stronger role in the subcommittee work of the ISO.

Other grants have helped the U.S. strengthen its position in areas that were adversely affected by our withdrawal from UNESCO. For example, a very influential international clearinghouse on education and training of information professionals that was housed at a U.S. university would have been lost to the U.S. after the withdrawal from UNESCO, if the State Department grants had not been available to help keep it operating.

As a "resident expert" in the government on library and information policy matters, NCLIS was able to identify these and other opportunities to the State Department and insure cost-effective use of the International Conventions and Scientific Organizations contribute grants for library, information, and archives projects that are important to the U.S. knowledge base, the U.S. economy, and U.S. influence abroad.

Commission's Work with the ACTION Agency

Senator Chiles: I understand that the Library Commission is doing some work jointly with another of our related agencies, the

ACTION agency. Please describe some of these activities for us, especially as they involve VISTA volunteers and older Americans.

Mr. Newman: The Memorandum of Understanding with the ACTION agency is operative. Our role is to be a catalyst in promoting the use of senior citizens as volunteers in libraries. We are encouraging the development of partnerships between libraries and agencies serving the aging by alerting libraries to the aging network whereby they can make contact and begin discussions on working together.

The Memorandum of Understanding also covers work of the VISTA Literacy Corps. The grants handled through VISTA for literacy corps funding are awarded through competition and must meet definite criteria established by VISTA. We alert those states that fall within the geographic regions targeted by VISTA when the announcement appears in the Federal Register and encourage interested libraries in those states to begin investigation with the aim of collaborating with the appropriate agency in developing a cooperative proposal for submission.

Travel Expenses

Senator Chiles: I see that you are requesting an increase for travel expenses of almost 50 percent. How does the Commission expect to use these additional travel funds?

Mr. Newman: The approved budget for 1988 travel of $57,000 was decreased by $9,000 by Section 512 of Public Law 100-202. Our current request is for $70,000, a $13,000 increase over $57,000. Heavier Commissioner involvement and the advantage of holding NCLIS' quarterly meetings at the time and location of major library and information science organizations' meetings around the country have contributed to this budget increase.

Budget Request Exceeds Authorized Ceiling

Senator Chiles: I see that for the second year in a row, you are requesting a budget that is higher than your authorized ceiling. Do you know if the authorizing committees intend to take any action to adjust your funding ceiling?

Mr. Newman: We have checked with the House and Senate authorizing committees which have jurisdiction. They have indicated that they do support the raising of our authorized funding ceiling but not at this time of fiscal restraint.

Cost Projections of White House Conference

Senator Chiles: Mr. Newman, I understand that legislation has been passed by both the House and Senate calling for another White House Conference on Libraries. Since the Libraries Commission was the organizing agency for the last such conference, could you supply us with cost and staffing projections for the next conference based on your experience in 1979.

Mr. Newman: Yes we have draft projections which are estimations based on the actual costs and staffing of the 1979 White House Conference on Library and Information Services. I have attached these projections herewith to be included in the hearing record.

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WHITE HOUSE CONFERENCE ON LIBRARY AND INFORMATION SERVICES TO BE CONDUCTED IN THE PERIOD SEPTEMBER 1, 1989 AND SEPTEMBER 30, 1991.

THE BUDGET

INTRODUCTION AND OVERVIEW

The attached budget reflects an estimate of the total costs of a White House Conference on Library and Information Services to take place in Washington, D.C. during a period of time between September 1, 1989 and September 30, 1991. The Operating plan and budget is divided into three phases:(see Fig. 1)

PHASE I - Planning - A 6 month period used to organize, set-up and implement the initial structure and to formulate detailed plans for Phase II.

PHASE II - Exploratory and Implementation - An 18 month period in which to conduct state and regional activities and the National Conference.

PHASE III- Wrap-up and Reports - A 6 month period to close out the State, and regional activities, as well as the National Conference, analyze the data and collected information, write the final report.

For purposes of analysis, the basic staff and administrative costs have been separated from the costs associated with state and regional activitives and the National Conference costs. These estimated costs are based upon experiences of earlier conferences, and have been adjusted for anticipated costs during the 1989-91 period. The budget of $5,000,000 covers the expenses for all three phases of activities from the National level of effort. Matching funding will be required from the state and regional entities during the State and Regional Activities, which will amount to approximately $1,635.000. It should be noted, however, that during Phase I the distribution of funds for Phase II activities will vary somewhat according to the refinement of schedules and activities that are being planned.

Personnel cost estimates have been based upon anticipated staffing requirements using the concept of building a conference staff structured around a "core" of full-time, permanent positions to which part-time or temporary assistance can be added to meet peak workload requirements. The employee grade structure will be consistant with previous conferences, and the 30 month average is estimated to be less than 9.5, which is somewhat below average grade level. Staffing costs during Phase II period comprehend the anticipated staff build-up period.

Also of interest is the fact that the GSA rental charges are set by GSA and are not subject to negotiation. For that reason, the rental charges are determined by the square footage required by the Conference and the type of building to be utilized. Space occupancy estimates include allowances for meeting rooms, file area, storage areas, halls, etc., in a GSA furnished building of "medium" or adequate quality.

The attached pages of budget and staffing estimates have been prepared on the basis of a 30-month time-line, not on a fiscal or calendar year basis due to the uncertainty of the enactment date or legislation and Presidential signing of the Bill. Costs will be increased slightly as a result of delays in the initiation of Phase I, due to the compression of time schedules and staffing requirements.

Fig. 1, Program Phasing and Budget Summaries, is a graphical representation of the time related relationships of the major elements of the program which are partitioned into the three phases indicated. This Fig. also tabulates the five major activities; their duration and the budget for each.

Fig. 2 shows the budget details by object class number projected for Phase I activities involving the Administrative Staff and the Planning Conferences during the Planning and Organization efforts.

Fig. 3, White House Conference Staff Phase and Budget Issues, shows the White House Conference Staffing Plan during all of the Phases. It shows graphically the build-up of the staff to a maximum of 30 persons at the 24 month after start point, as well as the reductions necessary toward the end of the efforts. This Figure also shows the average cost per staff member by object class per year during each of the 3 Phases, as well as the total WHC Staff cost per phase. These numbers will again be shown along with the costs of other efforts in each of the Budget Detail Figures for each of the three Phases.

Fig. 4, Regional and National Conferences, tabulates by object class the costs required by the Administrative Staff, the Regional Conference and the National Conference. Much of the projected costs for the WHCLIS II are based on the experiences of WHCLIS I, and are perceived to be quite realistic.

Fig. 5, Wrap and Reporting Phase, shows the projected budget for the efforts of the Administrative staff by object class for the data collection, sorting, analyzing, and report preparation. These activities will require a smaller staff than during the other Phases, but one having special talents in these particular disciplines.

Fig. 6 shows the relationship between the National Conference cost by object class for WHCLIS I and the costs projected for WHCLIS II National Conference.

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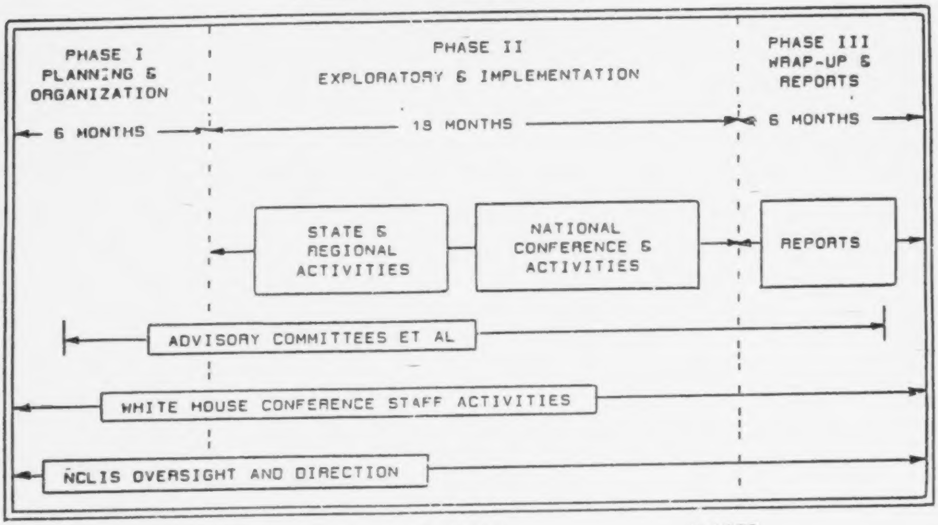
WHCLIS II PROGRAM DOCUMENT
BUDGET ISSUES

PROGRAM PHASING AND BUDGET SUMMARIES


PHASE I
PLANNING & ORGANIZATION
PHASE II
EXPLORATORY & IMPLEMENTATION
PHASE III
WRAP-UP & REPORTS
6 MONTHS
18 MONTHS
6 MONTHS
STATE & REGIONAL ACTIVITIES
NATIONAL CONFERENCE & ACTIVITIES
REPORTS
ADVISORY COMMITTEES ET AL
WHITE HOUSE CONFERENCE STAFF ACTIVITIES
NCLIS OVERSIGHT AND DIRECTION

ACTIVITIES	DURATION	BUDGET
WHC STAFF EFFORTS	30 MOS.	$2200K
ADVISORY COMMITTEE	24 MOS.	Incl. in REG. & NAT'L.
STATE & REGIONAL	14 MOS.	$1635K
NATIONAL CONFERENCE	4 MOS.	$1165K
WRAP-UP & REPORTS	6 MOS.	Incl. in STAFF

Fig.1

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BUDGET DETAILS

PHASE I - PLANNING (6 MONTHS)

(Dollars in thousands)

Fig. 2

OC#	DESCRIPTION/TITLE	ADMIN. STAFFING	PLNG. CONF.	OTHER	TOTALS
11.1	COMPENSATION	$217.3 a.			
12.1	BENEFITS	30.3 a.			
21.0	TRAVEL	6.1 b.			
23.0	RENT	34.6 c.			
23.3	COMM. & UTILITIES	8.3 d.			
23.6	EQUIP. RENTAL	2.7 e.			
24.0	PRINTING & PUBS.	2.7 f.			
25.0	OTHER SERVICES	6.1 g.			
26.0	SUPPLIES & MTL.	6.0 h.			
31.0	EQUIP. PURCHASES	1.1 i.			
	OTHER				
	TOTALS	$315.0			

NOTES:

a. An average of 11 full time staff effort is used in this computation. A maximum of 22 people will be available during PHASE I.

b. $1,100 per staff member is provided to cover travel expenses

c.

d. $700 per staff member is allocated to telephone, communication and utility expenses.

e. $700 per staff member is allocated to leasing/renting of office equipment.

f. $250 per staff member is allocated to printing and publishing expenses.

g. $550 per staff member is required for miscellaneous services and contracts including data systems for mailing lists, budget and finance information services.

h. $550 per staff member is allowed for the purchase of office supplies and related material.

i. $100 per staff position will be required for the purchase of office equipment.

PHASE I - PLANNING

Purpose - To set-up the structure by which the National Conference can happen.

(1) Hold planning conferences to establish guidelines for state and regional conferences.

(2) Recruit and train staff to support these efforts. Develop "core" staff for use during remainder of Conference.

(3) Develop and test system to insure program, financial, budgetary, planning and delegate management control.

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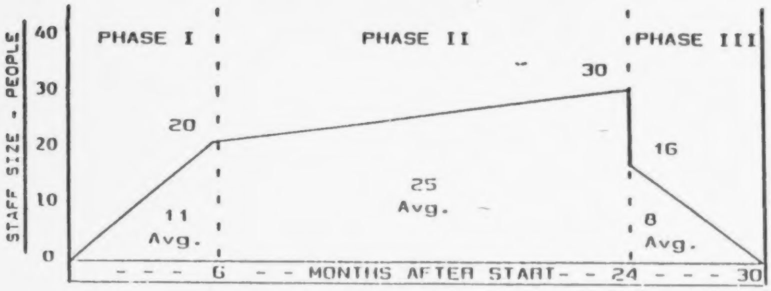
WHCLIS II PROGRAM DOCUMENT
WHITE HOUSE CONFERENCE STAFF
PHASE AND BUDGET ISSUES



WHC STAFFING PLAN

WHC STAFFING BUDGET PLAN BY PHASE

COST PER PERSON/YR BY OBJECT CLASS

OC#	DESCRIPTION	PHASE I	PHASE II	PHASE III	TOTAL
11.1	COMPENSATION	$39.5K	$33.0K	$37.0K	$1602.8K
12.1	BENEFITS	5.5	4.0	3.0	192.2
21.0	TRAVEL	1.1	.6	.3	29.8
23.0	RENT	6.3	3.5	6.0	189.9
23.3	COMM.& UTIL.	1.5	.8	.4	39.9
23.6	EQUIP. RENT	.5	.4	.5	19.6
24.0	PRINT.& PUBL.	.5	.4	8.0	49.8
25.0	OTHER SVCS.	1.1	.5	1.5	30.9
26.0	SUPPLIES & MTL.	1.1	.7	1.0	36.3
31.0	EQUIP. PURCHASE OTHER	.2	.2	0	8.6
	AVG. TOTAL PER PERSON/YR.	$57.3K	$44.1K	$57.7K	
	AVG. # PERSONS PER PHASE	11	25	8	
	# YEARS PER PHASE	1/2	1 1/2	1/2	
	WHC STAFF COST PER PHASE	$315K	$1654K	$231K	
	WHC STAFF TOTAL COST				$2200K

Fig.3

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BUDGET DETAILS - PHASE II

REGIONAL AND NATIONAL CONFERENCES (18 MONTHS)

(Dollars in thousands)

OC#	DESCRIPTION/TITLE	ADMIN STAFFING	REGIONAL CONF.	NATIONAL CONF.	TOTALS
11.1	COMPENSATION	$1237.5		$146.6 c.	
12.1	BENEFITS	150.0		9.2 c.	
21.0	TRAVEL	22.5		80.4 d.	
23.0	RENT	131.5		25.0 e.	
23.3	COMM. & UTILITIES	30.0		13.7 f.	
23.6	EQUIP. RENTAL	15.0		2.5 g.	
24.0	PRINTING & PUBS.	15.0		147.5 h.	
25.0	OTHER SERVICES	18.8		692.3 i.	
26.0	SUPPLIES & MTL.	26.2		15.6 j.	
31.0	EQUIP. PURCHASES	7.5		4.2 k.	
	OTHER			28.2 l.	
	TOTALS	$1654.0 a.	$1635.0 m	$1165.0 b.	

NOTES:

a. Admin. Staffing costs are based on an average of 25 persons for the 18 month Phase II period. Average cost per person is $44.1k per year. See Fig. 3 for staff cost comparisons.

b. National Conference total costs are estimated to be 1.73 times the comparable costs incurred at WHCLIS I. The multiplier was arrived at in concert with CBO estimates. See Fig. 6 for line item comparison between WHCLIS I and WHCLIS II.

c. Utilization of "civilian" staff, consultants, advisory committees and other support persons are compensated from this particular account.

d. Travel required of "civilian" staff, consultants, and advisory committees.

e. Rental for incremental space required by personnel during Phase II operations.

f. Telephone services, and other communication costs for Phase II operations are included.

g. Miscellaneous equipment and office machines are provided here

h. Printing, publishing and photocopying expenses are provided in this account.

i. Contract services that provide meals, lodging, transportation for 880 persons for the 4 day National Conference. All conference support services and space costs including personnel and equipment are provided in this line item.

j. Office supplies are provided

k. Furniture, fixtures and furnishings are covered by this line item

l. Transportation of things, freight, packing and express services

m. Current allowance from National level funding is shown. No detailing of efforts on hand.

Fig.4

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BUDGET DETAILS - PHASE III

WRAP AND REPORTING (6 MONTHS)

(Dollars in thousands)

OC#	DESCRIPTION/TITLE	ADMIN. STAFFING	OTHER	OTHER	TOTALS
11.1	COMPENSATION	$148.0 a.			
12.1	BENEFITS	12.0 a.			
21.0	TRAVEL	1.4			
23.0	RENT	24.0 b.			
23.3	COMM. & UTILITIES	1.6 c.			
23.6	EQUIP. RENTAL	2.0 c.			
24.0	PRINTING & PUBS.	32.0 d.			
25.0	OTHER SERVICES	6.0 c.			
26.0	SUPPLIES & MTL.	4.0 c.			
31.0	EQUIP. PURCHASES	0			
	OTHER	0			
	TOTALS	$231.0K			

NOTES:

a. Admin. Staffing costs are based upon an average of 8 persons for the 6 month Phase III period. The average cost per person is $57.7K per year, which will provide skilled writing, editing and publishing persons.

b. It is expected that much of the space rental required can be provided from space no longer required in Phase III staff efforts.

c. Most of these services and facilities will already be in place having been provided during Phase II and Phase III operations.

d. The publication costs will provide the printing and print materials involved in publishing the National Conference proceedings and findings.

Fig. 5

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WHCLIS II PROGRAM DOCUMENT
THE NATIONAL CONFERENCE
BUDGET ISSUES

NATIONAL CONFERENCE COSTS BY OBJECT CLASS

OC#	DESCRIPTION/ TITLE	WHCLIS I	WHCLIS II
11.00	PERSONNEL COMPENSATION [a]	$84.6K	$146.4K
12.00	PERSONNEL BENEFITS [a]	5.3	9.2
21.00	TRAVEL [b]	46.5	80.4
22.00	TRANSPORTATION AND SHIPPING	16.3	28.2
23.00	RENT, COMMUNICATIONS AND UTILITIES	23.8	41.2
24.00	PRINTING AND PUBLISHING	81.8	147.5
25.00	OTHER SERVICES [c]	403.1	692.3
26.00	SUPPLIES AND MATERIALS	9.0	15.6
31.00	EQUIPMENT PURCHASED	2.4	4.2
	OTHER	0	0
	NATIONAL CONFERENCE TOTAL COSTS	$672.8K	$1165.0K

NOTES:

a. Non-government employees
b. Committee, VIP, and Advisors
c. Contracted management services including delegate travel, lodging, food and meeting facilities.

Fig. 6

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QUESTIONS SUBMITTED BY SENATOR LOWELL P. WEICKER. JR.

FBI Program

Senator Weicker: Recent news reports have highlighted an effort of the FBI known as the "Library Awareness Program" in which librarians in various types of libraries have been asked to report on the suspicious activities of library users. Reports indicate that libraries are being approached by FBI agents to be on the look-out for those borrowing or copying materials which might be harmful to national security.

Mr. Newman, I understand that the National Commission on Libraries and Information Science has been briefed by the FBI regarding this program. Since the Commission has the responsibility for advising the President and Congress on national library and information policies, I'd like to ask you a few questions.

Did you request this meeting and, if so, what is your view of this effort on the part of the FBI?

Mr. Newman: Yes, Senator, we did request an explanation of the FBI Library Awareness Program, and Mr. DuHadway made the FBI presentation to Commissioners and staff at the quarterly Commission meeting in San Antonio in January.

Our view of this effort, as explained by Mr. DuHadway, is that it is voluntary, it is restricted to only a few libraries and that the FBI is asking these librarians to report out-of-the-ordinary behavior of a patron. The purpose of the program is to identify foreign agents who are attempting to recruit librarians and third world students to work for them.

Senator Weicker: Am I correct in understanding that you have made statements in favor of the Library Awareness Program of the FBI?

Mr. Newman: Yes. As I understand it, the program is voluntary and it has been effective in identifying foreign agents who are attempting to co-opt librarians and patrons to work for the KGB.

Senator Weicker: Did you not comment that "...I am inclined on behalf of what the Bureau is doing...We have the responsibility, as Commissioners, of being sure there's freedom of access of information but...we have another responsibility in upholding the Constitution of the United States...which is a higher responsibility and that includes citizens protecting our democracy and our republic"? Is that your statement?

Mr. Newman: Yes.

Senator Weicker: How does this invasion of privacy protect our democracy?

Mr. Newman: Sentor Weicker, there is an article in New York magazine, April 6, 1987, written by Michael Daly, entitled "I Spy." This article tells "how a Queens College student helped catch a KGB agent." Among other requests, according to this article, Leakh Bhoge was asked by Soviet agent Zakharov to "steal some twenty microfiche from the University of Connecticut library" (page 44). The FBI believes its program has been successful and that it is protecting our democracy. A copy of the article is attached.

Senator Weicker: What did you mean when you said in that meeting with the FBI that "real problem" is the American Library Association's Intellectual Freedom Committee (anti-censorship committee)?

Mr. Newman: The Library Awareness Program has been in place for several years. It would have been my hope that when the complaint reached the Intellectual Freedom Committee, the Director or Chairman would have contacted the FBI for an explanation, or ask NCLIS to make inquiries for them. Indications are they first contacted the news media.

FEDERAL MINE SAFETY AND HEALTH REVIEW COMMISSION

STATEMENT OF FORD B. FORD, CHAIRMAN

ACCOMPANIED BY:

PAUL MERLIN, CHIEF ADMINISTRATIVE LAW JUDGE
RICHARD BACKLEY, COMMISSIONER
L. JOSEPH FERRARA, GENERAL COUNSEL
RICHARD BAKER, EXECUTIVE DIRECTOR

INTRODUCTION OF ASSOCIATES

Senator CHILES. Now, we will hear from Mr. Ford B. Ford, Chairman of the Federal Mine Safety and Health Review Commission. Mr. Ford?

Mr. FORD. Mr. Chairman, it is a pleasure to appear here again to justify our budget request for the 1989 fiscal year.

Before I make a very brief opening statement, I would like to introduce the panel. At my far left is Chief Administrative Law Judge Paul Merlin. To my immediate left is Commissioner Richard Backley. To my far right is the General Counsel, Joseph Ferrara, and to my immediate right is the Executive Director of the Commission, Richard Baker.

We are appearing before you on behalf of the 1989 budget request of $4,079,000 which represents a $187,000 increase over the 1988 budget and includes two additional FTE's.

The Commission, as you know, was created by the Federal Mine Safety and Health Amendments Act of 1977, as an independent agency to hear appeals from enforcement actions of the Mine Safety and Health Administration. Cases are initially heard by the Commission's administrative law judge corps and thereafter aggrieved parties may appeal to the Commission. Beyond the Commission, aggrieved parties may appeal to the courts of appeals and ultimately to the U.S. Supreme Court.

We expect to increase our case dispositions in fiscal year 1989 to 1,878 cases and are requesting funding to fill an administrative law judge and secretarial vacancy. At the review level we expect to receive 71 new cases as well as continuing review of the ALJ decisions. New case intake at the ALJ level is expected to remain at the fiscal year 1988 level, and case inventories in both programs will be reduced somewhat.

PREPARED STATEMENT

A requested increase of $187,000 includes $103,000 for the annual cost of the two additional FTE's in our administrative law judge activity, and $84,000 to fully fund the commission's 56 FTE staff request.

I would be happy to entertain any questions.

[The statement follows:]

STATEMENT OF FORD B. FORD

It is a pleasure to appear before you and the Committee again and to answer questions about the Federal Mine Safety and Health Review Commission and its FY 1989 budget request totaling $4,079,000.

The request includes a $187,000 increase over the 1988 budget level and a two FTE increase. The request will fully fund the Commission staff of 56 positions.

I believe that this budget level will permit us to expeditiously carry out our statutory mandate as set forth in the Federal Mine Safety and Health Amendments Act of 1977 which is to provide administrative trial and appellate review of the Department of Labor's Mine Safety and Health enforcement program.

The Federal Mine Safety and Health Review Commission exists to objectively and neutrally adjudicate legal disputes arising under the Mine Act among or between mine operators, the Department of Labor, and miners.

The five-member Commission provides administrative appellate review. Its functions include reviewing all administrative law judge decisions, ruling on petitions for discretionary review, directing review sua sponte for cases that may be contrary to law or policy or that may present novel questions of policy, and issuing decisions that affirm, modify or vacate administrative law judge decisions directed for review. If not considered for formal review, these administrative law judge decisions become a final non-precedential order of the Commission. Appeals from final decisions of the Commission are to the U. S. Courts of Appeals.

In the activity of administrative law judge determinations during fiscal year 1989, we expect to receive 1,824 new cases and dispositions are expected to total 1,878, leaving a case inventory at the end of the year of 997. In fiscal year 1988, we anticipate the number of administrative law judge cases to total 1,824 and expect dispositions to total 1,805, leaving a case inventory of 1,051 at the end of the year.

During fiscal year 1987, 1,579 new cases were received and 1,726 cases were decided. Of these dispositions, 681 were disposed of prior to hearing by settlement approved by the administrative law judges, 761 were disposed of on motion or by stipulated record, and 284 were fully tried prior to decision. At the close of the year the pending caseload before the judges was 1,032.

At the Commission review level for FY 1989 we expect to receive 71 new cases for formal review and to dispose of 72 cases, leaving an ending inventory of 31. In addition, the Commission will continue review of administrative law judge decisions. We anticipate 67 new cases for FY 1988 with a disposition of 70 cases.

In FY 1987 the Commission continued to achieve substantial gains while issuing 40 substantive decisions and denying 19 petitions on review for a total case disposition of 59. As of September 30, 1987, the average period of time from receipt of the cases pending on the Commission's docket was 5.7 months. The average age of the 40 substantive decisions was 6.5 months, which may be compared to the 15.5 month average age of decisions issued in FY 1986.

Oral arguments continue to be an important part of the Commission's decision process as issues become more complex and new areas of law explored. Eight oral arguments were held in fiscal year 1987. The Commission also attempts to hold as many meetings as possible in open session and of the 31 meetings held in FY

1987, 16 were open, 8 were closed and 7 were partially open.

Our requested increase of $187,000 for FY 1989 is allocated to two major expenditure categories:

- $103,000 for the annual cost of two additional FTE in our Administrative Law Judge Activity; and
- a net increase of $84,000 to fully fund the Commission's 56 FTE staff request, which includes $22,000 for the 2% pay increase costs scheduled for January 1989.

This budget request will enable us to continue our efforts to provide timely, efficient and neutral adjudication of disputes under the Mine Act.

Thank you for the opportunity to present this statement. I would be pleased to respond to questions from you and members of the Committee.

Senator CHILES. All right, sir.

Earlier this year the Senate Labor Committee held hearings on mine safety. In those hearings it was alleged there may exist a conflict of interest on the part of mine safety inspectors. Those inspectors are sometimes called on both to inspect mines for safety violations and later to investigate any accidents at the same mines.

Do you believe that that situation can lead to inaccurate reporting on the causes of accidents, and should we worry that some of our mine inspectors are not very accurate in reporting the degree to which some mine accidents are attributable to safety violations? Would you recommend any action to minimize this problem?

Mr. FORD. Mr. Chairman, I would hesitate to make a categorical answer particularly in light of the adjudicatory nature of the Commission. A petition for discretionary review was received yesterday which appears to include as a substantive part of that petition, the type of circumstance that you describe. Rather than presume to be speaking for the Commission in an adjudicatory sense, which we may have to do when addressing that petition. I feel it would be inappropriate for me to comment on something that may come before the Commission for a decision.

Mr. BACKLEY. If I may interject, Mr. Chairman.

Senator CHILES. Yes.

Mr. BACKLEY. We have already had an instance like that prior to Mr. Ford's arrival at the Commission. I have been on the Commission since its inception, and we did have a case back in 1985 or 1986—I can supply it to the committee—wherein a very similar question as posed by the Chair was raised before us on whether or not there was a conflict of interest, whether the action may or may not have been egregious. I would just say we have had at least one instance where the question that you have posed has come before us in a factual and litigious situation.

Senator CHILES. Well, I can understand if there was a case that was ripe out there or if you felt that there was a case—and perhaps there is, but I guess I'm just trying to think from the other side. Perhaps no one would be better able to speak if there is not, in effect, a case out there now than the Commission as to whether this is a proper process or not. And to me I don't have much of a problem with it. The same people that are doing the inspecting damned sure shouldn't be doing the refereeing of an accident after that. That is a human nature conflict. Not knowing anything about mines, I don't have any difficulty seeing that kind of conflict.

Mr. BACKLEY. Well, in support of your theory, Mr. Chairman, that was one of the reasons the Commission was set up as an independent agency. As you know, our predecessor, the Board of Mines Operations and Appeals, was at the Department of the Interior. The Department was the inspector as well as the prosecutor.

Senator CHILES. Absolutely.

Mr. BACKLEY. And the Congress in its infinite wisdom decided to establish this great Commission.

GOVERNMENT IN THE SUNSHINE ACT

Senator CHILES. And had to do it because there were some real problems that were out there that were not getting proper attention or adjudication, and that is exactly why the Commission was set up. I think that's correct.

Mr. Ford, last year about one-half the Commission's meetings were either closed or partially closed. I wish you would explain why the Commission closes some of its meetings and tell me whether those closings are in compliance with the Sunshine Act.

Mr. FORD. I'll be happy to. For 1987 we held 31 meetings; 16 were open; 8 were closed; and 7 were partially open and partially closed.

The Commission has utilized the C(10) exception in the Sunshine Act with great restraint in attempting to keep most of our meetings open. When we close a meeting, it is for a particularly sensitive issue or one of considerable complexity that requires a very candid give and take among the Commissioners. And after oral arguments—those are the ones quite often that are partially open and partially closed—we have the oral arguments open and then close the meeting to get a sense of what has been presented and to allow candid discussion of the issues. We try to hold all meetings open to the extent possible. It is important to note that it takes the vote of the entire Commission to close a meeting.

Senator CHILES. I see. Well, we did provide specific exceptions in the act recognizing that if you were dealing with criminal matters, informant matters and things like that, there were legitimate reasons to be closed. On the other hand, it is often easier to conduct a meeting that is closed because it just seems to be a little bit easier. But somehow I think there is a strong reason that this being government that the public owns and gives us a license to sort of conduct and operate that for them, that they are entitled to know, even on the issues that are difficult, what is going on unless there is some very strong prevailing reason to close these proceedings.

Mr. FORD. Yes; we are very sensitive to that. We do consider very carefully before we close a meeting.

TRAVEL

Senator CHILES. We know a substantial portion of your budget is for travel costs for your administrative law judges going to hear cases at the site of dispute. What effect has the reduction in travel expenses in last year's appropriation bill had on your judges' abilities to hear cases in the field?

Mr. FORD. We found that when we initiated the restraints on the judges' travel in January, that a considerable number of hearings that would have been held were not. So, it did have an adverse effect. We have now lifted those restrictions somewhat and have sufficient funds remaining for a full hearing agenda by our administrative law judges.

That is why we are asking for an $18,000 increase in our travel budget, $4,000 of which is tied to the hiring of another administrative law judge. The balance is to restore the travel budget to the $78,000 level that we found was needed for us to fulfill our legislative mandate to travel to hearing sites.

TERMS OF COMMISSIONERS

Senator CHILES. The terms of two of your Commissioners are going to expire at the end of August. Do you expect to have a full quorum of the Commission throughout 1989? What is the status of the nominations?

Mr. FORD. We want to be very optimistic about that. Commissioner Backley is one of the Commissioners who has been renominated by the President as is Commissioner Nelson. All their paperwork is before the Senate Labor Committee now. We would hope that their reappointments could be moved on rapidly; thereby assuring us a full complement of Commissioners.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator CHILES. Thank you, sir. I might have a few more questions I'll ask for the record. Thank you.

Mr. FORD. Thank you very much, sir.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

WORKLOAD

QUESTION: Mr. Ford, please tell us what activities at the Labor Department's Mine Safety Administration caused you to expect a greater workload in 1989.

ANSWER: In developing our workload estimates, we take into consideration the regular inspection program and the regulatory program of the Labor Department's Mine Safety Administration and the past history of the Commission's case intake. MSHA is proposing to conduct more than 2,000 additional regular inspections in FY 1988 and FY 1989 than were conducted in FY 1987. In addition, according to their budget estimate, they have published or plan to publish in final during the FY 1987-89 period twenty-three mining regulations. Most citations are issued during the regular inspection process which may result in Commission contest and penalty cases. New regulations are often challenged until a body of law (Commission and Court decisions) has been established. Considering these factors we felt compelled to forecast a workload increase for FY 1988 and to hold steady for FY 1989.

QUESTION: What is the usual lag time between new enforcement actions at the Mine Safety Administration and the time a case is brought to the Commission?

ANSWER: Time lag from an MSHA enforcement action depends on the type of MSHA enforcement action. For example, a contest of an MSHA mine closure order could be heard by a Commission administrative law judge within a week. Civil penalty cases, however, may be up to six months old before they are ready for assignment to an ALJ.

MINE SAFETY

QUESTION: Mr. Ford, earlier this year the Senate Labor Committee held hearings on mine safety. In those hearings, it was alleged that there may exist a conflict of interest on the part of mine safety inspectors. These inspectors are sometimes called on both to inspect mines for safety violations and later investigate any accidents at the same mines. Do you believe that this situation can lead to inaccurate reporting on the causes of accidents? Should we worry that some of our mine inspectors are not very accurate in reporting the degree to which some mine accidents are attributable to safety violations. Would you recommend any federal action to minimize this problem?

ANSWER: This question has previously been answered in the record.

GOVERNMENT IN THE SUNSHINE

QUESTION: Mr. Ford, last year almost half of the Commission's meetings were either closed or partially closed. Please explain why the Commission closes some of its meetings. Are these closings in compliance with the Government in the Sunshine Act?

ANSWER: This question has been previously answered in the record.

TRAVEL

QUESTION: Mr. Ford, we know that a substantial portion of your budget is for the travel costs of your administrative law judges to go hear cases at the site of the dispute. What effect has the reduction in travel expenses in last year's appropriations bill had on your judges' ability to hear cases in the field?

ANSWER: This question has been previously answered in the record.

QUESTION: Have your travel expenditures for the first quarter been consistent with your travel allocation for the year?

ANSWER: Travel for the first quarter exceeded on an annual rate the reduced travel allocation included in the appropriations bill. As detailed during the hearing, the Commission initiated restraints during the second quarter and by mid-fiscal year was consistent with the travel allocation for the year.

QUESTION: Your travel request for 1989 is almost 30 percent above your 1988 level. Please explain the need for this increase.

ANSWER: This question has been previously answered in the record.

PRODUCTIVITY

QUESTION:	Mr. Ford, your budget document shows that your administrative law judges disposed of fewer cases in 1987 than in 1986. Should we read these figures to mean that your judges have become less productive?
ANSWER:	The Commission did dispose of fewer cases in FY 1987 than it did in FY 1986 - 1,726 as compared to 1,811. However, our ALJ corps increased their productivity of assigned case dispositions from an average of 126 per judge FTE in FY 1986 to 139 per judge FTE in FY 1987.

It is the Commission's policy to not assign a case to an ALJ immediately upon receiving a notice of contest. Instead, the case is held unassigned until initial petitions and responses are received from both parties. The case is then assigned to an ALJ for consideration. Over the past three years, 23% of our cases were defaulted or dismissed after initial contest because of failure to respond to Commission orders to perfect their case. These case dispositions, while included in the total case dispositions count of the Commission, are not included when computing ALJ productivity. Assigned case disposition numbers and productivity is as follows:

	FY 1987	FY 1986	Change
Case dispositions after assignment	1,349	1,296	+ 53
ALJ - FTE	9.70	10.25	-.55
Average Case dispositions	139	126	+ 13

TERMS OF COMMISSIONERS

QUESTION:	Mr. Ford, the terms of two of your commissioners will expire at the end of August. Do you expect to have a full quorum of commissioners throughout 1989? What is the status of nominations for the expiring terms?
ANSWER:	This question has already been answered in the record.

ADMINISTRATIVE LAW JUDGES

QUESTION: Mr. Ford, last year you requested funding to hire an administrative law judge. Your 1989 budget contains a similar request. Will you be hiring a new judge or will you be borrowing this judge from another federal agency?

ANSWER: The current procedure for recruiting and hiring an ALJ includes requesting authority to fill a position from the Office of Personnel Management where the ALJ register is maintained. Workload data, fully demonstrating the need for additional staff, must be provided to OPM before any action begins. During the approval process, both short-term and long-term staffing and workload requirements are discussed. BY FY 1989, approximately 40% of the Commission's judges will meet the criteria for voluntary retirement. Given this possibility, the Commission feels that it would be in the Government's best interest to add a judge to its permanent staff as workload materializes. However, the Commission is conscious of the fact that some agencies may have temporary imbalances in their case workload and ALJ staff and we support efforts to fully utilize the existing Federal workforce.

CASELOAD

QUESTION: In 1987, your budget estimated 1,824 new cases but you actually received only 1,579 - more than a 10 percent reduction. What is the basis for your increased workload estimate for 1988 and 1989?

ANSWER: Historically, Commission workload has increased four out of the past five years - FY 1987 being the exception. Case intake for the first six months of FY 1988, should it continue into the last six months, will exceed FY 1987 levels by more than 100 cases. In addition, as indicated earlier, we believe that the increased enforcement and regulatory activities of the Department of Labor's Mine Safety and Health Administration will result in added Commission cases.

QUESTIONS SUBMITTED BY SENATOR LOWELL P. WEICKER. JR.

BUDGET REDUCTION

QUESTION: The President's budget for FY '88 requested $4,139,000 for the Commission, however, due to the 4.26% across-the-board reduction required of this subcommittee to comply with the budget summit agreement, the appropriation for FY '88 fell roughly $250,000 below the 1988 request. What impact will this reduction have on the Commission's activities in FY '88?

ANSWER: The Commission believes that it can carry out its mandate within the $3,892,000 appropriation for FY 1988 at the current workload estimate levels. However, travel was curtailed during the second quarter and some hearings were postponed. Currently, our travel expenditure is in line with our reduced budget and hearings schedule. Should a backlog in unheard cases develop, the Commission may need to request approval for a redistribution of funding within the appropriated amount.

QUESTION: The President's request for FY '89 although above last year's appropriation, is below the original 1988 request. In the Commission's budget justification it indicates that all increased workload is estimated in administrative law judge workload. Are you confident the Commission will be able to meet the demand for services in 1989 with the current request?

ANSWER: The Commission feels confident that it can continue its ALJ productivity levels, and with the additional ALJ requested for FY 1989, meet the demand for adjudicatory service.

QUESTION: What was the Commission's original request to the OMB?

ANSWER: The Commission's budget request to OMB, as based on the FY 1988 Budget Request pending before Congress totaling $4,080,000, contained a reduced level of 57 FTE for $4,089,000 and a request level of 61 FTE for $4,289,000. After the FY 1988 appropriation was determined and workload requirements reevaluated, the Commission was in full agreement with the FY 1989 request level of $4,079,000 and 56 FTE.

QUESTION: The budget justification states the Commission is "striving to end the current fiscal year with both docket and issuance ages again in the 6 month range." What is the Commission's goal for docket and issuance ages in FY '89?

ANSWER: The Commission believes that its FY 1988 goals of a 6-month average docket age and the issuance of decisions within 6 months of receipt are appropriate for both fiscal years 1988 and 1989.

PROSPECTIVE PAYMENT ASSESSMENT COMMISSION

STATEMENT OF DONALD A. YOUNG, M.D., EXECUTIVE DIRECTOR

BUDGET REQUEST

Senator CHILES. Now, we will hear from Mr. Donald A. Young, the Executive Director of the Prospective Payment Assessment Commission [ProPAC]. Dr. Young, I will be back in just 1 second.

[Pause.]

Senator CHILES. Dr. Young, you are the Executive Director of the Prospective Payment Assessment Commission, and I understand you advise and assist the Congress and the Secretary of Health and Human Services in maintaining and updating the Medicare prospective payment system. We will let you proceed with your oral remarks.

Dr. YOUNG. Thank you very much, Mr. Chairman. I am pleased to represent the ProPAC Commissioners and to present ProPAC's budget and appropriation request for fiscal year 1989. We are proposing a budget of $3,664,000. This represents an increase of 2 percent over our fiscal year 1988 budget.

I would like to summarize very briefly the major policy analytic work which the Commission plans and has underway. An annual responsibility is the development of recommendations regarding payment updates for prospective payment system hospitals, as well as for hospitals and units excluded from the Medicare prospective payment system. Related to the updates is the Commission's continuing concern and focus on the special problems that are facing small and isolated rural hospitals.

In addition, we will be continuing to examine special payment rules for teaching hospitals and for the disproportionate share hospitals that treat a high percentage of poor individuals.

We will also be continuing to examine changes in DRG case mix and severity of illness.

In addition, we are examining trends in hospital costs and profits. We are especially interested in better understanding the significant variations which occur in costs across hospitals.

A second major area of our work continues to be improvements in the DRG's. We are examining new technologies, changing medical practices, and have in the past and will continue to develop recommendations to incorporate new medical advances and to correct flaws in the DRG structure. Since the DRG's will always be an imperfect measure of case mix, we also have been working on improvements in policies to better protect hospitals from the risks of especially costly cases.

Finally, as you are aware. Mr. Chairman, the Medicare prospective payment system has helped to limit the rate of increase in inpatient hospital costs. Expenditures for services outside the hospital continue to grow. The Commission is concerned about this growth and about the relationship between inpatient hospital costs and services provided in outpatient and ambulatory settings.

Our work in this area will help us to better understand the changing patterns of service delivery in this Nation, the impacts of these changes on quality of care and the impacts on the Medicare program expenditures as well as expenditures by beneficiaries.

We will be reporting to you in June on this topic and on other changes which are occurring in the American health care system.

PREPARED STATEMENT

This completes the summary of my statement, Mr. Chairman. I would be pleased to answer any questions which you may have.

[The statement follows:]

STATEMENT OF DONALD A. YOUNG

Mr. Chairman, I am Donald A. Young, M.D., Executive Director of the Prospective Payment Assessment Commission. I am pleased to represent the ProPAC Commissioners and present ProPAC's budget and appropriation request for fiscal year 1989.

As you know, the Commission was mandated in 1983, as part of the law which established the Medicare prospective payment system. We are charged with maintaining and updating this hospital payment system through reports and recommendations to the Congress and the Department of Health and Human Services. Commissioners, who are experts in health services delivery, financing, and research, are appointed by the Director of the Congressional Office of Technology Assessment. Our work is supported by an Executive Director and a staff of up to 25 people.

Recent Commission Accomplishments

In the four years since ProPAC began its work, we have examined many important policy issues. ProPAC has brought to the attention of the Secretary and the Congress problems which we believe would compromise the effective delivery of high quality hospital care to Medicare beneficiaries.

In some cases the Secretary has accepted our recommendations for improvements to PPS. In a number of other important areas the Congress has legislated necessary changes. We believe that continuing adjustments are necessary to assure that PPS is responsive to constantly changing medical practice. Our most recent report, delivered to the Secretary March 1, 1988, contains a number of recommendations for improving PPS.

We also believe that it is important to evaluate the impact of PPS on the rapidly changing American health care system. Our report to you, Medicare Prospective Payment and the American Health Care System, will be delivered in June 1988.

Fiscal Year 1989 Appropriations Request

Let me now turn to our fiscal year 1989 budget and appropriations request. We are proposing a budget of $3,664,000. This represents an increase of two percent over our fiscal year 1988 budget of $3,592,000 in keeping with the deficit reduction agreement. I should also point out, Mr. Chairman, that our fiscal year 1988 budget is $160,000 less than the amount initially agreed to by both the House and Senate Appropriation Committees. This reduction, contained in the Omnibus Continuing Resolution, also relates to the deficit reduction agreement.

Our funds are expended in two major categories: Administration and Management and Data Development, Analysis and Research.

Administration and Management ($2.489 million)

This category includes funding necessary for payment of Commissioners for travel and time spent on Commission business; for salary and benefits for an Executive Director and staff; for facilities, supplies, equipment, and travel; for communications with the public, including maintenance of an extensive mailing list, publication of at least three major reports each year, and expenses associated with open public meetings of the Commission and its subcommittees; and for other administrative expenses associated with facilitating the work of the Commission.

We have kept within the deficit reduction limits by not filling two vacant staff positions and by cutting back on other administrative expenses. You will also see that our rent unexpectedly increased $17,000 this year. We also have had a significant increase in the cost of employee benefits. This is due to the very large portion of our staff who are covered under the new Federal employees retirement system rather than the old civil service retirement system.

Data Development, Analysis, and Research ($1.175 million)

This category represents funds from the proposed budget which are to be expended through grants and contracts with organizations and individuals outside ProPAC. We believe that an important Commission role is to identify, define, and develop solutions for problem areas in the prospective payment system. Because we wish to base our decision-making on the best, most recent and thorough data and information possible, a strong analytic commitment is required. Analysis and data development which cannot be completed internally by the Commission's staff is thus included in this category of funding.

Our extramural data development and research budget and agenda for 1985-1989 is attached to our budget justification. In the attachment we describe the projects which have been completed as well as those which are ongoing.

You will note, Mr. Chairman, that our extramural research budget remained constant at $1 million for the past first 3 years. We requested an additional $250,000 for FY 1988. Due to the deficit reduction agreement, this amount was reduced to $1,175,000 for FY 1988. We are requesting this same amount for FY 1989.

Major Policy Analyses

Our major policy analytic work falls into two broad areas. The first area includes activities directed to the development of recommendations for improvements in the PPS payment structure. An annual responsibility is the development of recommendations regarding payment update factors for PPS hospitals as well as for hospitals and units excluded from PPS. Related to the updates is the Commission's continuing concern for and focus on the special problems facing small, isolated rural hospitals. In addition, we will be examining the special payment rules for teaching hospitals and disproportionate share hospitals. We will also continue to examine changes in DRG case mix and case complexity (severity of illness).

The Omnibus Reconciliation Act of 1987 requires the Commission to examine and report on a number of additional topics. These include an examination of the suitability and feasibility of linking capital related costs to hospital occupancy, examination of the Secretary's study regarding separate payment rates for hospitals in urban and rural areas, and the feasibility and appropriateness of an adjustment to PPS payments to account for variations in non-labor costs to hospitals.

Finally, we will continue to examine trends in hospital costs, revenues, and financial condition. This work includes an examination of hospital utilization and expenditure trends. We are especially interested in understanding better the significant variations in costs across hospitals. Therefore, we will be examining the mix of skills and services furnished by hospital employees, including nursing personnel. We will also examine hospitals' use of other resources.

The Commission's second major area of work relates to improvements in case-mix measurement and the DRGs. We will continue to examine new technologies and changing medical practices and develop recommendations to incorporate new medical advances and to correct flaws in the current DRG structure. We are also continuing to analyze and better understand the reasons for the variations in costs and the use of resources within the individual DRGs.

Since the DRGs will always be an imperfect measure of case mix, we have been examining the adequacy and appropriateness of current policies for payment of outlier cases. We will continue to develop recommendations to improve these policies to better protect hospitals from the risks of especially costly cases. As required by OBRA 1987, we will also be developing recommendations for improvements in payment for burn outlier cases.

As you are aware, Mr. Chairman, the Medicare PPS has helped to limit the rate of increase in inpatient hospital costs. Expenditures for services outside the hospital continue to grow. The Commission is concerned about this growth and the relationship between inpatient hospital costs and services and outpatient and ambulatory costs and services. Therefore, we are developing the capability to examine the services provided during a single episode of illness by hospitals (inpatient and outpatient), as well as those provided by SNFs, HHAs, physicians, suppliers and other providers.

This information will help us to better understand the changing patterns of services delivery, impacts on quality of care and expenditures for the Medicare program and for beneficiaries. It will also assist us in responding to the Congressional request contained in OBRA 1987 that we consult with the Secretary on the development of payment policies for ambulatory surgery and other outpatient hospital services.

Mr. Chairman, this completes my formal testimony. I would be pleased to answer any questions which you or members of the Committee may have.

BIOGRAPHY OF DONALD A. YOUNG

Dr. Donald A. Young is the Executive Director of the Prospective Payment Assessment Commission, a position he has held since 1983. He was previously the Deputy Director of the Bureau of Eligibility, Reimbursement and Coverage with Health Care Financing Administration, DHHS. From 1977 to 1980, he participated in the Veterans Administration Administrative Scholars' Program where his research interests included the development and diffusion of health care technologies. He has served as Medical Director of the American Lung Association and prior to that in private practice as an Internist and Pulmonary Specialist at the Palo Alto Medical Clinic in California. While in practice he served on numerous committees at the local, state and national level. He received his M.D. degree from the University of California in San Francisco and completed his internship and residency at that institution and at the University of Texas, Southwestern Medical School. He is board certified in Internal Medicine and Pulmonary Disease.

HOSPITAL PROFIT MARGINS

Senator CHILES. Thank you, Dr. Young.

I read recently that hospital profits from Medicare average 9.56 percent in fiscal year 1986 down from 14.4 percent in 1985. What does that drop reflect? Are hospital costs increasing?

Dr. YOUNG. We have examined that and that will be in the June report I mentioned. We anticipate in the current fiscal year that the average profits across the Nation will be close to zero. That comes about for two reasons.

One factor is the relative stringent update factors as part of reconciliation legislation in the past several years. The amount of revenue to hospitals has been reduced over the amount in early PPS years.

The most predominant factor, however, is significant increases in hospitals costs. The cost per case to take care of each patient continues to go up about 10 percent a year. And the Commission does not understand why these extraordinary costs per case are continuing, and we'll be looking into that.

Senator CHILES. We can't understand that either. When inflation is 3 to 4 percent, why is it that health and hospital costs are averaging almost 10 percent above the rate of inflation? If it is 10 percent, it would be slightly under that.

Dr. YOUNG. We have some explanations. One explanation is that the numbers of patients in hospitals have decreased. Hospital occupancy is down. It takes some time for hospitals to adjust to decreased occupancy, but we do not believe that that is a full explanation.

A second one is as occupancy has declined and the simplest cases are being treated outside the hospital, the hospitals do have a sicker mix of patients. They are more costly to treat.

We don't believe, however, that those two things explain all of this very significant cost increase. We feel that in part it relates to hospitals initially responding to the incentives of PPS by decreasing services, staffing, becoming more efficient, but as they generated the high profits for the first 3 years of the system, they backed off on the pressures that they put on physicians and on their own internal management pressures, and they need again to focus on increasing efficiency and productivity.

Senator CHILES. If I can understand that, you are saying that initially when we put in the prospective payments, they tightened up.

Dr. YOUNG. Yes, sir.

Senator CHILES. And then they generated profits.

Dr. YOUNG. Yes, sir.

Senator CHILES. And then they loosened up.

Dr. YOUNG. That is a very reasonable explanation that we think is likely.

Senator CHILES. So, you would anticipate, if that is correct, that now they will have to tighten up again and this situation will change some.

Dr. YOUNG. That's correct.

Senator CHILES. Obviously there is going to be a lot of pressure on Congress not this year, but probably next in a new administration, that we are going to have to open the spigot up and start raising the payments. I'm not sure whether that can or will happen or not given the fact that we will have this massive deficit problem.

Dr. YOUNG. The pressure is already there as far as the Commission is concerned and I'm sure as far as the Congress is concerned. For the next 2 years, as you are aware, the update factors are set by statute. In the meantime, we will be looking further at these costs to see if we can provide you with better information as to what is happening and a better judgment about what the appropriate updates should be after 1990.

Senator CHILES. Do your annual update recommendations take into account—you do take into account the hospital profits.

Dr. YOUNG. We have not factored into our recommendation the level of the hospital profits. We are aware of that information; the Commission has considered it. But in arriving at its update, we look at a variety of other factors in addition to hospital profits and financial state, including the costs, the reason for the costs and evidence that the hospitals have or have not become more productive.

INAPPROPRIATE MEDICAL PROCEDURES

Senator CHILES. Recently a research study concluded that about one-third of the common medical and surgical procedures performed on Medicare patients are inappropriate. In addition, Medicare payments are subject to unnecessary risk and the cost of these procedures increases the burden on the Medicare system. In that study the researchers determined about $850 million could be saved from nearly $5 billion that was spent annually on just three such procedures, the angiograms, carotid endarectomies and the upper gastrointestinal endoscopies.

How can you cut out Medicare payments for these and other inappropriate procedures?

Dr. YOUNG. That is a very difficult and complex area because the choices get down to the choice for an individual patient at a given time. One way to do it is to develop better information and medical consensus as to what is appropriate and what is inappropriate. The studies that you cite have been criticized by people who feel that the studies are not accurate and do not represent a true picture of what is necessary and what is unnecessary. The Health Care Financing Administration is interested in pursuing further medical care appropriateness. We are generating additional information about the pattern of service delivery attempting to understand better what might be appropriate patterns and what not.

In part you can deal with it with your payment system by having the proper payment incentives. In part you can deal with agencies such as the PRO program, the professional review organizations, who really are locally involved and can take a much stronger look at why physicians are admitting cases. To some extent this has been done already with the

PRO program and the preadmission review activities which have occurred. But a great deal more needs to be done, and we are limited by information on what really is appropriate for a given patient.

NURSING SHORTAGE

Senator CHILES. I understand the Commission has done some research and analysis on the current nursing shortage. Can you tell us what you have found? Are we experiencing a cyclical shortage?

Dr. YOUNG. Hospitals are certainly experiencing some vacancies in nursing positions. In terms of the total number of nurses available, however, the pool has continued to increase.

Most striking to us and surprising to us is the change that hospitals have chosen in terms of their nursing personnel. They have substituted nurses, RN's, for nursing aids, orderlies, and other nursing personnel, so the ratio of the more highly trained RN to the lesser trained LPN and aide has increased significantly.

Senator CHILES. Why have they done that?

Dr. YOUNG. That has perplexed us to an extent. One answer that they give, which doesn't explain it entirely, is that RN's are more versatile personnel. Now, as they decrease staffing, an RN can do many things, but then they pay the RN nurse far more.

A second reason that they have given is that the skilled nursing personnel are necessary because the severity of illness has increased with the decreases of length of stay and of occupancy.

A third possible explanation is that within the hospital's decisionmaking hierarchy itself, the RN nursing community may have a louder voice than other labor representatives.

We found the same phenomenon has occurred in laboratory services where hospitals have substituted the more highly trained laboratory technologists for the lesser trained laboratory technicians.

We will be initiating in our research program this year a study looking at hospital staffing patterns and how those staffing changes affect the cost per case that we discussed a bit ago. So, we are a little bit perplexed about why hospitals have made these kinds of choices to increase the staffing mix.

Senator CHILES. That is perplexing to me because it seems if the hospital is concerned about its profit margin, there would be pressure on them to be going almost in the other direction too far to reduce the services.

Dr. YOUNG. I agree. We were perplexed by it as well. The pattern may change now with low profit margins.

Senator CHILES. And I have not seen or heard—and I'm no expert in this regard, and I can't say that I have been on that level—the nurses in any community that I know of have the kind of voice over a hospital board or something that they could say we have to have more nurses. If anything, I felt the nurses had sort of a weak voice.

Dr. YOUNG. We don't know yet what the explanation is, and we will be pursuing all of these topics. Some of the hospital people, though, are the ones that suggest, at least when you compare tradeoffs within the nursing sector, that the RN's do have a louder voice than the LPN's, aide, and orderlies. But we don't know that for sure. We need to pursue that further.

RURAL HEALTH TRANSITION GRANT PROGRAM

Senator CHILES. Last year Congress enacted legislation known as the Medical Rural Health Care Transition Grant Program. That would be administered by HCFA, and as I understand it, the grants are going to be used by small, rural hospitals to get out of the hospital business because they are operating at a severe loss or to consolidate their services with other providers so they could better serve their communities' needs. The program is authorized for $15 million. There is no request for funds in this year's budget.

What do you think of this legislation? Could it be effective? In general, are rural hospitals able to participate in the prospective payment system and keep their heads above water, financially speaking?

Dr. YOUNG. My personal view is that it was a good notion and a good piece of legislation. There are just extraordinary changes occurring in how health services are delivered in this country. The structure of the Medicare program with its benefits paying hospital, skilled nursing facilities puts a lot of constraints on creative and innovative management and the development of alternative ways of delivering services that could be far more cost effective. The bill allows rural hospitals to experiment in new and better ways of doing things, and I believe that we could learn some very important things from the grant program, as well as provide some assistance to those who are most creative and innovative. And I think it is a good piece of legislation.

CATASTROPHIC HEALTH INSURANCE

Senator CHILES. As you know, if the catastrophic health insurance legislation now in conference is enacted, there are going to be many administrative changes made in order to track a beneficiary through the Medicare system. Based on your experience with the prospective pay system, do you have any estimates of how long it is going to take to make these changes?

Dr. YOUNG. There are just a number of dramatic changes occurring. We have been following the progress of the catastrophic bill, but we have not done any specific work looking at different components of the bills that are currently in the House and in the Senate. So, we will see what emerges from the legislation and build into our analysis those areas that we think need to be done in followup. But we have not done any analysis to date.

Senator CHILES. Is the commission providing Congress any guidance in trying to make the transition to catastrophic health insurance?

Dr. YOUNG. Not directly on the catastrophic bill itself, although our report to you in June will deal with a number of issues that are related such as patterns of beneficiary cost liability and cost sharing that have occurred since the prospective payment system was put in place, as well as a lot of data on the changes which are occurring in health services are furnished, and hospital financial condition.

Another activity of importance to us is the development of a data base which will allow us to look together at part A and B services so that we can look at a full episode of care. And there are certainly catastrophic implications for beneficiaries in merging the part A and B services.

MORE TIMELY MEDICARE DATA

Senator CHILES. In your March 1988 report, you recommend the Secretary consider Medicare data improvements that are more accurate and more timely. How old is the data that you are now using for your analysis work and how can you get that data faster?

Dr. YOUNG. The Secretary has improved significantly the timeliness of Medicare cost report data. We now have cost report data, as well as Medicare charges, a year earlier than we did in the first few years of PPS. So, the Secretary has put the resources in to do that.

In addition, the Secretary is now planning a demonstration project in several States to look at the content of the cost report, and they have been consulting with us asking our advice and accepting our suggestions on that. So, our relationship with the Secretary and the timeliness of the cost data has improved significantly.

PROSPECTIVE PAYMENT ASSESSMENT COMMISSION RESEARCH REQUEST

Senator CHILES. Your fiscal year request, Dr. Young, for research is about $1,175,000. That is about what you asked for last year. Is your research used as soon as it is completed or does some of it stay on the shelf?

Dr. YOUNG. Our goal—and we work very hard at it—is to do studies that provide information that is immediately usable. Most of the recommendations contained in our March report that was just submitted, as well as the material in our June report, comes from our research activities. And while the timeframe for those may be as long as 2 years, frequently it is a matter of 3 or 4 months, 1 year at the most. So, it is all structured to be very timely and to be immediately translated and policy relevant.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator CHILES. Doctor, I might have a few more questions. I'll ask them for the record.

Dr. YOUNG. Thank you, sir.

Senator CHILES. Thank you for your appearance.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Research Request

Senator Chiles: What research projects do you propose to fund in fiscal year 1989?

Dr. Young: Our extramural research and data development projects include a few major projects and a larger number of smaller projects. We currently have several major projects underway. Our study of subacute and transitional care is almost complete. Other current studies deal with the changes in DRG case mix and case complexity, the incremental costs of inpatient care and the development of a data base with Medicare information merged for both Parts A and B. We anticipate obligating FY 1989 funds for major research studies on variations on hospital costs, including staffing costs and the shift of services to outpatient settings. Our full agenda for 1985-1989 is attached to our Justification of Appropriation.

Senator Chiles: Do you do any joint research with the Health Care Financing Administration (HCFA)?

Dr. Young: Yes. The research project concerned with change in case mix and case complexity, currently under development, is co-funded with HCFA. This project will try to develop a method to distinguish case-mix increases caused by changes in coding practices from changes in treatment patterns and patient mix. The Commission has agreed to provide up to $100,000 for this project. ProPAC staff will also collaborate with HCFA on the design, implementation and monitoring of the study.

June Report

Senator Chiles: In June you will publish your annual report on the impact of the Prospective Payment System on the American Health Care System. Can you give us an idea of what issues the June report will discuss?

Dr. Young: The June report focuses on the impact of the Medicare PPS and changes in the American health care system. The Commission chose to undertake a general review of many facets of the health care system, and thus the report covers many subjects. Chapters will describe changes and provide data on patient utilization and quality of care; on hospital organization, resources, and financial conditions; on PPS payment policy and payment distribution; on beneficiary financial status; on national health expenditures and cost containment activities; and on health care delivery and financing.

Sub-Acute And Transitional Care

Senator Chiles: Are you looking at what happens after a patient leaves the hospital, or the post-acute care of a patient? Is that where the bulge in the demand for health services is occurring?

Dr. Young: As part of our study of transitional care, we have reviewed the provision of subacute care in hospitals, as well as other post-acute care services. One of our primary findings to date is that there appears to be a great variation in beneficiary access to post-acute care services, depending on factors such as availability of services and practices of hospitals, PROs, and fiscal intermediaries. Although there may be a bulge in the demand for health services, as you note, in this area, it appears that much of the bulge may be necessary, particularly in light of declining lengths of hospital stay. However, the June report also describes recent data on decreases in Medicare admissions to skilled nursing facilities and decreases in Medicare home health visits. These data suggest that the demand for certain post acute care services may not be met, due at least in part to Medicare denials of SNF or home health care. We will be examining this information in more detail.

QUESTIONS SUBMITTED BY SENATOR LOWELL P. WEICKER, JR.

Senator Weicker: During the last budget hearing, Dr. Young testified that the Commission was conducting a study of "post-acute or transitional Care" that would involve case studies in a number of states and that it was anticipated the study would yield a great deal of information about the use and need for home health services. As you know, home health care has been an issue of concern to me. Has the Commission completed its work on this study? If so, would you briefly summarize the study's findings? If not, when do you expect to complete the study?

Dr. Young: The case studies in five states and the national survey of hospitals undertaken as part of the study are complete. Our contractor has provided reports on the case studies and we have preliminary national findings, but much more analytic work remains to be completed. Thus, we have provided below a brief summary of the preliminary findings related specifically to the subject of home health. Home health care issues are only one area covered by the report, which is actually focused much more broadly. Final reports of the full study will be available in the summer and fall of 1988.

Preliminary findings on home health suggest PPS has impacted in this area. Discharges to home care for a more seriously impaired population have increased since PPS, according to personnel interviewed in the course of the study. Those interviewed also suggested that the major barrier to access to home care is financial reasons. National data on Medicare home health utilization developed for the study indicate a 17 percent decrease in the average number of Medicare reimbursed visits per home health beneficiary since 1984. Providers and others interviewed asserted that restrictive Medicare coverage policies limit access to needed health care. Finally, the study concludes that overall access to home health services is a function of state and federal programs, and other unique local factors. These are important findings and we need to assess them further to understand their impact on quality of care.

ProPAC 1988 and 1989 Budget Requests

Senator Weicker: The Commission's fiscal year 1988 budget request to Congress was for $3,798,000. However, due to the 4.26% cut required to comply with the budget summit agreement, the appropriation for FY 1988 was $200,000 below the original request. What impact is this having on the Commission's activities in this fiscal year? How is the cut being absorbed?

Dr. Young: In order to comply with the lower appropriation, ProPAC has taken several steps. We have postponed some of our research, we have not filled two positions which became vacant during the year, and we have cut back on several overhead items.

Senator Weicker: Although the President's request for fiscal year 1989 is $72,000 above last year's appropriation, the request still falls $134,000 below the amount the President requested a year ago. Will the current request provide sufficient resources to fund fully the Commission's projected activities in FY 1989?

Dr. Young: Yes, the current request will provide sufficient resources, although there may be a delay in completing some projects.

Senator Weicker: Are there research and data development projects that the Commission had to cut in order to, as your justification states, "keep within the deficit reduction limits"?

Dr. Young: We have not cut projects. However, we have a list of potential projects, and we have deferred several of these projects to a later date in order to limit our expenditures.

U.S. SOLDIERS' AND AIRMEN'S HOME

STATEMENT OF LT. GEN. GEORGE H. McKEE, GOVERNOR

ACCOMPANIED BY:
ELIZABETH J. WALKER, BUDGET OFFICER
COL. ROBERT W. HAMPTON, DIRECTOR OF ADMINISTRATION AND SECRETARY-TREASURER
DR. AULTMAN, MEDICAL DIRECTOR
COL. JAMES TRAYERS, DIRECTOR OF LOGISTICS

PREPARED STATEMENT

Senator CHILES. Now we will hear from Lt. Gen. George McKee, the Governor of the U.S. Soldiers' and Airmen's Home.

Senator CHILES. It's nice to see you again, General. It's always good to see a Lakelander.

General MCKEE. Thank you, Mr. Chairman.

Senator CHILES. We will put your statement in full in the record. Will you introduce your other witnesses for us?

[The statement follows:]

STATEMENT OF LT. GEN. GEORGE H. McKEE

PURPOSE

The purpose of this statement is to furnish information on the Home which may be of interest during the committee's consideration of the Home's fiscal year 1989 appropriation request. Included is pertinent information on the Home: its mission, administration, physical plant, financing, and members. The statement also provides a general description of the fiscal year 1989 appropriation request as compared with the fiscal year 1988.

MISSION

The Home was established by Congress in 1851 for the relief and support of retired, invalid, or disabled soldiers of the Regular Army. Membership is a benefit for former warrant officers and enlisted personnel of the Regular Army and Air Force with the following qualifications: (1) honest and faithful service for twenty years or more as warrant officers or enlisted personnel, or (2) service-connected disabilities rendering them unable to earn a livelihood, or (3) non-service connected disabilities rendering them unable to earn a livelihood, provided they have had service during a war. These criteria are listed in this order not as priorities, but because about 88 percent of the membership is of the first group, and about 12 percent is of the disabilities groups.

ADMINISTRATION

General supervision of the Home was placed by Congress in a Board of Commissioners now composed of the Governor of the Home; The Surgeon General, U. S. Army; Comptroller of the Air Force; Deputy Chief of Staff, Manpower and Personnel, U. S. Air Force; Chief of Engineers, U. S. Army; Commander, U. S. Army Community and Family Support Center; The Judge Advocate General, U. S. Air Force; the Sergeant Major of the Army; and the Chief Master Sergeant of the Air Force. Subject to approval by the Secretary of the Army and the Secretary of the Air Force, the Board has authority to establish regulations for the internal direction of the Home. The law provides for an annual report of inspection of the Home by The Inspector General of the Army to be submitted to Congress.

PHYSICAL PLANT

The Home is situated in northwest Washington, D. C. Facilities include four domiciliary and three hospital buildings, a service area, a heating plant, a laundry, and some minor structures. The domiciliary capacity of the Home is 2,028 beds. Our hospital has a capacity of 385 beds. Throughout the years, the loss of Home lands to other activities has reduced the acreage from about 500 to the present 300. The members of the Home are grateful for the support provided by committees of Congress for retention of the Home's lands against past proposals to further reduce it.

FINANCING

The Act of 1851 provided that the Home be supported from two principal sources: (1) a monthly contribution while on active duty of twenty-five cents from each enlisted member and warrant officer of the Regular Army and later the Air Force, and, (2) fines and forfeitures imposed upon these people by sentence of courts-martial. Public Law 94-454 increased the monthly withholding to fifty cents. Public Law 96-357 amended the Act of 1851 to also include fines and forfeitures imposed upon the aforementioned people under authority of Section 815 of Title 10, U. S. C., commonly referred to as non-judicial punishment. The Act of 1883 established a Permanent Fund in the U. S. Treasury and provided for the payment of interest of 3% per annum on the fund balance. On December 15, 1973, the Act of 1883 was amended so that the Secretary of the Treasury, taking into consideration the current average market yield on outstanding marketable obligations of the United States, would set the interest rate. Under this amendment, the Home is now receiving about 5.8 percent interest on its fund balance. Public Law 94-454, in addition, authorized the collection of a fee from the members of the Home. The Permanent Fund balance on September 30, 1987 was $165 million.

MEMBERSHIP

Our male members range in age from 40 to 101, with an average age of 69. Our female members range in age from 45 to 91, with an average age of 75. There are 73 female members. The average age of the patients in the Health Care Facility is 73 years. Average total membership during the fiscal year 1987 was 2,048, including 1,957 present.

THE FY 89 BUDGET FOR OPERATION AND MAINTENANCE

The Home's fiscal year 1989 operation and maintenance appropriation allowance is $36,643,000, an amount $766,000 more than its fiscal year 1988 budget authority of $35,877,000 which includes $417,000 for pay related items and $349,000 for inflation. Due to a federal pay rate increase for registered nurse employees, effective 17 January 1988, the pay related items do not include additional requirements of $353,000 for fiscal year 1988 and $471,000 for fiscal year 1989. A detailed description is included in the Home's justification booklet which has been submitted to the committee.

THE FY 89 BUDGET FOR CAPITAL OUTLAY

The Home's fiscal year 1989 capital outlay appropriation allowance is $13,215,000, an amount $2,230,000 less than its fiscal year 1988 budget authority of $15,445,000. FY 1989 funds are to be used to continue projects included in the Home's Restoration Plan.

CONCLUSION

The members of the Home appreciate the interest in their welfare that the committee has taken over the years.

BIOGRAPHY OF LT. GEN. GEORGE H. McKEE

A. Personal Data:
Born: 28 April 1923, Pickens, South Carolina
Married to: Nikki Young
Children: Two
Home Town: Lakeland, Florida

B. Education:
Military--
Army Administration School
Air Tactical School
Industrial College of Armed Forces
Civilian--
University of Omaha - B.A. Degree - Education

C. Major Permanent Duty Assignments:

	From	To
Enlisted -- Instructor, Airplane Mechanics Course, Aircraft Crew Chief, Flight Chief, Quality Control Inspector, Pilot B-17, B-29 Aircraft. Highest enlisted grade, Master Sergeant	1940	1947
Aircraft Commander, Squadron Maintenance Officer, Adjutant, Operations Officer, Commander, 49th Bomb Squadron, Hunter AFB, Ga.	1947	1955
Command Project Officer, SAC Command Control System	1955	1960
Deputy Commander, 3974th Combat Support Group, Zaragoza, Spain	1960	1961
Commander, 3974th Combat Support Group, Zaragoza Air Base, Spain	1961	1963
Deputy Commander for Maintenance, Blytheville AFB, Ark.	1964	1965
Commander, 319th Bomb Wing, Grand Forks AFB, N. D.	1965	1966
Commander, 97th Bomb Wing, Blytheville AFB, Ark.	1966	1967
Commander, 72nd Bomb Wing, Ramey AFB, Puerto Rico	1967	1968
Commander, 19th Air Division, Carswell AFB, Texas	1968	1970
Director, Maintenance & Engineering, Headquarters USAF	1970	1972
Chief of Staff, Strategic Air Command	1972	1973
Commander, Eighth Air Force, Guam	1973	1974
Commander, Air Training Command	1974	1975
Retired from active military service, over 34 years	--	1975
Presidential appointment as Governor, United States Soldiers' and Airmen's Home	1 November	1978

D. Decorations and Service Awards:
Distinguished Service Medal (with 2 Oak Leaf Clusters)
Legion of Merit (with Oak Leaf Cluster)
Distinguished Flying Cross
Air Medal (with 4 Oak Leaf Clusters)
Good Conduct Medal
European/African/Middle Eastern Campaign Medal (with 4 Service Stars)
Vietnam Service Medal (with Silver Star)
Air Force Outstanding Unit Award Ribbon
Legion of Merit from Spain
Outstanding Civilian Service Medal, Department of the Army (1983)

INTRODUCTION OF ASSOCIATES

General McKEE. First, Mr. Chairman, I would like to express our appreciation from the staff of the home and the 2,000 distinguished veterans I have out there for the privilege and opportunity to appear before you and the committee this morning.

On my left I have Col. James Trayers, the Director of Logistics and one of the finest engineers the Corps of Engineers has ever produced. Dr. Mims Aultman, the Director of the home's health care facility, another true professional. The home is very fortunate in having Dr. Aultman there as a director of our medical facility because he is, I consider, an expert in geriatric care and the treatment of the aged population that we have there at the home. On my right I have Col. Robert Hampton, the Director of Administration and Secretary-Treasurer for the home, who was here with us last year. And the extreme right is Ms. Betty Walker who is our new Budget Officer for the home. She was appointed this past February.

In addition, in the audience I might note that we have a couple of representatives from the OMB staff here, Dr. Gene Devine and Mr. Bill Pichurski. I guess they are here to learn why we are so successful before your committee, Mr. Chairman. At times I think it may be from envy, other times I think it could be called micromanagement. Regardless of the reason for which they are here, I certainly appreciate them taking the time out of their busy schedule to be with us this morning.

Also, we have Dr. Andy Sherbo, major, from General Watts' staff in the Pentagon, the Air Force Comptroller, with us this morning.

Senator CHILES. If they don't speak cracker, they probably won't be able to understand what we're talking about anyway, General.

General McKEE. Most likely not, sir.

Mr. Chairman, this year the O&M allowance for the home is $36,643,000 for the 1989 budget, which is $766,000 more than the 1988 budget. This increase of $766,000 includes $417,000 for pay related items and $349,000 for inflation. Due to a Federal pay rate increase for our registered nurse employees, the pay related items do not include additional requirements of $353,000 for our fiscal year 1988 budget or the fiscal year 1989 budget which would be $471,000.

In order to absorb the 2-percent pay increase that was levied onto us for fiscal year 1988, we have reduced or deferred many needed projects at the home, equipment buys, and we have suppressed our employment level from 1,037 to 1,020, having a selected hire freeze in effect. And we have discontinued our awards programs, quality step increases and cash performance awards for the employees. This is for the third and fourth quarter of this fiscal year.

It appears doubtful that the home will be able to reduce any further to cover the $353,000 required this year for the nurses' upgrade unless some reprogramming authority is provided by Congress, along with the agreement of OMB to permit that. If that does not occur, it could become necessary to furlough the work force for at least 3 days between now and September 30.

As for our capital outlay projects, I am pleased to report that all projects are pretty much on schedule. For the Scott dormitory, which is the major restoration project, going on at the home right now, the contractor was given a notice to proceed on October 27. That is a 2-year project consisting of six phases, and he should be able to turn the first phase over to us before the middle of June.

The next project that we have in progress ongoing at the present time is the design of the new dining hall/intermediate care medical building. The design was one-third complete in December, and hopefully it will be completed on schedule. About this time next year I will be looking forward to being able to invite you out to the ground-breaking ceremony for the new health care facility.

The upgrade electrical design is another major project at the home, restoring our electrical system, replacing all of the transformer units that have to be replaced by 1991, those that use PCB for cooling and to bring a third feeder into the home. The design is 96 percent complete, so far as design to complete the total system.

We have two other major projects on contract, replacement of our street lights there, that project will start in July, and the other remaining major project is replacement of the steam lines we have for the steam-hot water system throughout the home. That contractor is at work now in the tunnels removing the asbestos, and starting in mid-May, he will start removing the underground heating lines that are buried around the home, not in tunnels.

We have many smaller projects, Mr. Chairman, that are ongoing, and they all are listed in the restoration plan that I gave your staff a couple of months ago. Those are the details on the various projects we have ongoing at the home. If you desire we submit any of this information for the record, we will be happy to do so.

We are ready for your questions, sir.

CAPITAL OUTLAY

Senator CHILES. General, last year the committee provided the home with $15.4 million for renovation and construction even though the administration did not request those funds. The committee stipulated that those funds were to be used to continue the renovation of dormitories and for the construction of an intermediate care facility. Why, if the committee stated explicitly that you should go ahead with the intermediate care facility, are you holding up that project?

INTERMEDIATE CARE FACILITY

General MCKEE. We are progressing with the design of the project, Mr. Chairman. As I stated, in December the design was about one-third complete. As a result of our 1989 budget passback, OMB has said that they want us to go back and review the project and see whether it is more economical or feasible to construct two 200-bed versus one 400-bed facility from a cost standpoint, and to determine the total number of beds we need at the home, what size facility we actually need.

And I can tell you right now, Mr. Chairman, having been out there nearly 10 years, now, there have been winters out there that in some of the wards, if it had gotten any colder in those old buildings, some constructed around 1900, I would have had to have evacuated the wards. It is that type of a facility where we are keeping the patient in right now. So, we need to replace those older buildings with new buildings.

Our plan and our recommendation is to build replacement buildings, first a 200-bed intermediate care facility, which would also have in it a new dining hall facility. Following that, we would recommend that we would construct an additional 200-bed skilled care facility. When that is completed, we would be able to vacate the Pipe's Hospital Building and move those patients into those two new buildings. Then we would go and restore that building which would give us some additional capacity. This has been approved by the Board of Commissioners, but has not been forwarded to OMB for review.

Senator CHILES. What would be an adequate appropriation for the capital renovations for 1989 be if you are to go ahead and commence construction of the intermediate care facility?

General McKEE. We need $15 million for fiscal year 1989. We require a total of approximately $32 million for the intermediate care facility altogether. The approved budget figure I believe is $13.2 million, or in that neighborhood.

Senator CHILES. Will the home's trust fund be adequate to finance all your renovation needs as well as your annual operating expenses?

General McKEE. Yes, sir; the trust fund has more than an adequate balance to accommodate these improvements. At the present time we have on deposit in the U.S. Treasury about $210 million or so. The uncommitted balance of our trust fund is $162 million.

Senator CHILES. How much more in capital renovation appropriations do you expect will be needed in the future?

RENOVATION AND CONSTRUCTION—PHASE 1

General McKEE. We have had three phases in our restoration program, Mr. Chairman. First, what we called phase 1, we have spent some $5½ million approximately on that phase of the project. It was completed between 1979 and 1987. We completed some critical projects such as repairing and restoring the elevators for $2.2 million, replaced one of the electrical transformers for another $388,000. We reroofed four buildings there for $1.3 million. It was those type of projects that we did since 1979 up until last year.

PHASE 2 AND 3

Now we have moved into phase 2 where we are doing the dormitory restoration and renovation at the present time. After phase 2, will be the phase 3 projects, which was approved by the Board of Commissioners. Once again, phase 3 has not been forwarded as a requirement through the budget system. That package will require about $109.2 million to complete the projects that we have planned for the home at the present time.

The total restoration requirement including all three phases will have cost approximately $186 million.

OPERATION AND MAINTENANCE SALARY INCREASES

Senator CHILES. General, I understand in addition to the 2-percent pay increase, the home will be required to absorb a special salary increase for nurses. What effect will this have on your 1988 operation, and how has the home dealt with the overall shortage of nurses in the Washington area?

General MCKEE. As I mentioned earlier, sir, we were able to absorb the 2-percent pay increase by reducing some of our programs, by suppressing our employment level from 1,037 to 1,020. Additionally we are faced with a possible 3-day furlough if we don't get some type of budgetary relief to accommodate the increased nurse cost.

Senator CHILES. Since it is going to be difficult for the committee to provide a supplemental under the terms of our Budget Summit Act for 1988, can you recommend any other procedures for helping you meet these additional nursing costs?

General MCKEE. The past two times that we have needed assistance with the Gramm-Rudman-Hollings Act, we were able, with OMB's concurrence to reprogram from the capital outlay account into the O&M account. That would be our recommendation at this point to you, Mr. Chairman.

Also, I understand we are probably facing another 8- or 10-percent reduction in next year's budget. So, the problem is still there, and I don't have the solution to that. Once again, we may have to request additional reprogramming.

Senator CHILES. Well, both in 1986 and 1987, the committee allowed the home to transfer funds from the renovation account to your operating account. Those seem to undermine your strong justification for renovation funds. Is this the kind of situation that is becoming habitual? Do you anticipate a continued need to transfer from that in the future?

General MCKEE. It seems that way, Mr. Chairman, but once again, I am faced with reducing the work force, furloughing the people, cutting out other essential programs if we don't do that. We have sufficient money in the trust fund to accommodate both requirements.

1989 OPERATION AND MAINTENANCE REQUEST

Senator CHILES. What was your original request of OMB for your 1989 operations and maintenance account?

General MCKEE. I'm repeating the figure here that was approved that came to you from the administration. It's $36,643,000.

Colonel HAMPTON. The amount of the original request was $37,758,000.

Senator CHILES. So, that was approximately $1 million higher than you got.

OMB STUDY

What can you tell us, General, about the recent study of the home's needs by OMB?

General McKee. In the 1986 budget passback, OMB came to us with the information that they were going to look at the source of funding for the home's trust fund. They were going to also look at some way where the members would be required to pay more than the 25-percent user fee they are paying at this time. It would be based on a pro rata share of cost, or 83 percent of their retired pay. In addition, they were looking once again—this was verbal information that we had received from them—no more construction or restoration in the Washington, DC, area.

It was never quite clear to me as to why those considerations came about. Incidentally, the Secretary of the Air Force, the Secretary of the Army and the Secretary of Defense objected to the study. Their objection went to OMB. Mr. Miller elected for some reason to go ahead with the study.

When the study charter came out, they were not to look at the trust fund operation for any change, but they were to review at the capital outlay account and the management of the home.

OFFICE OF MANAGEMENT AND BUDGET REPORT

The report is out. It has been well-distributed around town. I don't know who all has a copy, but I know a gentleman who wrote a negative article on the home a few months back. He has called us already saying that he has a copy of the OMB report. There are negative implications throughout the report. They don't give the true picture. Unfortunately that is what we have in this particular report.

I will give an example. One study that is cited in the OMB report is one which contends that the homes policy is to put all of our disabled into a health care medical facility and not keep them in a dormitory. That is very untrue, Mr. Chairman. We are doing all we can to keep the members in the dormitory as long as we can until they absolutely have to go down to the medical facility.

The OMB study elected not to understand that. They did not mention what we had done to enhance the program for the disabled living in the dormitories, such as putting community nurses in the two major dormitory buildings, allowing the nurses now to go up onto the floors to assist those members who can't properly bathe themselves, give them their medications and care of that nature. That type of support is not reflected in the report. The contention that we are not going to keep the people in a dormitory as long as we can, is totally wrong.

Senator Chiles. Do you have any questions?

Senator Domenici. I have no questions, Mr. Chairman.

Senator Chiles. Senator Harkin?

Senator Harkin. No questions, Mr. Chairman.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator CHILES. We thank you very much for your appearance, and we may have a few more questions in writing for you.

General McKEE. Thank you, Mr. Chairman.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY SENATOR LOWELL P. WEICKER. JR.

OPERATION AND MAINTENANCE

Senator Weicker: Last year, the President's FY 88 budget for the Soldiers' and Airmen's Home was $37,080,000. The request submitted this year for FY '89 is over $400,000 below the 1988 request. Are you confident the President's request is sufficient to maintain the necessary level of service for the Home's residents in fiscal year 1989?

General McKee: No, the President's request for Fiscal Year 89 is not sufficient to maintain the necessary level of service.

Senator Weicker: What was the Home's original request to the OMB for operation and maintenance?

General McKee: Our original Fiscal Year 89 O&M request to OMB was $37,758,000 to maintain operations at the then current level, plus $3,627,000 of enhancements.

Senator Weicker: What level of funding would be necessary to maintain the level of service provided in fiscal year 1988?

General McKee: During Fiscal Year 88 we have had to absorb the 2 percent general pay raise with an impact of $407,000 and the nurse pay increase with an impact of $353,000 for a total of $760,000. The impact of these raises for Fiscal Year 89 will be $1,013,000. To cope with the absorption of these pay increases in Fiscal Year 88, we have held our employment level to 1,020, deferred equipment purchases, maintained minimum supply levels, and face the possibility of a one to three-day employee furlough between now and 30 September 1988. We are operating at an unacceptable level in Fiscal Year 88 and, without relief, the situation will worsen in Fiscal Year 89. In order to obtain an acceptable level of operation, we need provisions for the full impact of the salary increases ($1,013,000) plus the two percent increase ($764,000) allowed by the Administration for inflation. In order to attain a minimally acceptable operating level in Fiscal Year 89, an O&M budget authority of at least $37,656,000 will be necessary.

CAPITAL OUTLAY

Senator Weicker: The Home's Board of Commissioners has approved an ambitious facilities restoration plan which has been underway for a number of years that will enable the Home to respond to the changing needs of its residents. The President's budget request $2.2 million below last year's appropriation for capital outlays. Will this level be sufficient to meet the restoration plan's timetable for FY 89? If not, what would be required to meet the plan's timetable?

General McKee: That level will not be sufficient to meet the timetable for Fiscal Year 89. We need $15 million in Fiscal Year 89.

Senator Weicker: What was the Home's original request to the OMB for capital outlays for FY 89?

General McKee: The Home's original request to the OMB for capital outlays for Fiscal Year 89 was $31,130,000. This amount was based on the fact that the Administration had denied our Fiscal Year 88 capital outlay request in total. However, in the Joint Resolution Congress approved capital outlays for Fiscal Year 88 in the amount of $15,445,000. Therefore, $15,000,000 is now needed in Fiscal Year 89.

OMB STUDY REPORT

Senator Weicker: I understand that the OMB has questioned the justification for the Home's plans to build a 200-bed intermediate care facility and that there has not been sufficient study of this matter. Would you briefly outline the Home's actions in developing this recommendation?

General McKee: That is correct, Senator Weicker. The recommendation is an outgrowth of the OMB Study Report on the Home. OMB's stated reason for conducting the study was based on unfounded allegations that a lack of progress had occurred in our restoration program. If there was any undue delay, it was in part due to the slow OMB endorsement of the need for the restoration requirements at the Home. Now several years later, after we have spent about 2.5 million dollars on studies and design for the new intermediate care/dining hall facility, they are recommending no new construction for health care facilities until more analysis and justifications are produced. So we are about to experience another delay in the progress of upgrading our facilities because of this late decision on their part to delay construction of the intermediate care/dining hall facility.

Before proceeding with the current plan, the contractor presented some 20 alternatives for the intermediate care facility. We selected the best one, based on many considerations from a size, cost, and operation standpoint. In my view we have an optimum design for our particular mission at our King Health Center. This intermediate care facility building is part of a long-range plan to eventually replace two buildings, 70 and 90 years old, and to upgrade the main building with central air-conditioning and other improvements. That building will be about 40 to 45 years old by then. We should not delay this program any further and continue to deprive our disabled and aged veterans the benefits of the type buildings needed for their care.

Senator Weicker: Has the Home taken any action to respond to the concerns of the OMB?

General McKee: We have provided OMB with these facts and the data we have, but they have rejected that as insufficient. It may be necessary that we pay to have a cost analysis and another needs study conducted, but if so, this will certainly result in further delays and a waste of those resources already expended on this very vital and critical requirement.

U.S. INSTITUTE OF PEACE

STATEMENT OF SAMUEL W. LEWIS, PRESIDENT

ACCOMPANIED BY:
JOHN NORTON MOORE, CHAIRMAN, BOARD OF DIRECTORS
CHARLES E. NELSON, VICE PRESIDENT
JOHN RICHARDSON, COUNSELOR TO THE PRESIDENT AND DIRECTOR OF THE EDUCATION AND PUBLIC INFORMATION PROGRAM

STATEMENT OF JOHN NORTON MOORE

Senator CHILES. Our next witnesses will be John Norton Moore and Ambassador Samuel Lewis, the Chairman and President of the U.S. Institute of Peace. The Institute of Peace is charged with promoting international peace and the resolution of conflicts among nations and peoples of the world without recourse to violence. Mr. Chairman, Mr. President, Ambassador Lewis, and Mr. Nelson, we are delighted to have you all appear before us today.

Mr. MOORE. Mr. Chairman, thank you. It is a particular pleasure to be here and to have the opportunity as the Chairman of the Board to introduce the new President of the U.S. Institute of Peace, Ambassador Samuel Lewis, who will testify on behalf of the Institute of Peace.

One of the priorities of the Board during the past year has been to continue to strengthen the excellent management team and staff which we have been putting in place at this new Federal agency, the U.S. Institute of Peace.

We have three of the new senior team with us this morning. And before calling on Ambassador Lewis to testify on behalf of the Institute, I would like to introduce them to the committee, to Senator Domenici and Senator Harkin. On your far left, Mr. Chairman, I have John Richardson. He is the new counselor to the President and Director of the Education and Public Information Program, formerly was an Assistant Secretary of State for educational and cultural affairs, and also most recently served as the president of Youth for Understanding.

Right next to him we have Mr. Charles E. Nelson. He is the new Vice President of the U.S. Institute of Peace, has a very distinguished background, including Harvard College and Harvard Law School, served as an executive with the Rand Corp. in the housing and civil justice programs, working particularly with an emphasis on dispute resolution, and also worked with the Agency for International Development and in other capacities in aid and development in Third World countries.

Finally, it is a particular pleasure to introduce our new President, selected after a very major national search, Ambassador Samuel Lewis. Sam Lewis is a career foreign service officer with a career spanning more than 31 years. That career has included service as Deputy Director of the policy planning staff, a senior staff member of the National Security Council, a member of the U.S. Agency for International Development mission to Brazil, and Assistant Secretary of State for international organizations.

Most recently, Mr. Chairman, he served for 8 years as the United States Ambassador to Israel under both President Carter and President Reagan. He was a prominent actor in Arab-Israeli negotiations, including participation in the 1978 Camp David Conference which led to peace between Israel and Egypt, and in United States efforts to bring the Israeli invasion of Lebanon to a peaceful conclusion. We are particularly honored and pleased that he is the new President of the Institute of Peace.

Ambassador Lewis?

Senator CHILES. Ambassador?

Senator DOMENICI. Mr. Chairman?

Senator CHILES. Yes?

Senator DOMENICI. Before the Ambassador proceeds, I wonder if you might just give me 1 minute. I have to leave shortly but would like to make a brief statement.

Senator CHILES. I'd be happy to.

GRANTS TO NEW MEXICO

Senator DOMENICI. I want to compliment all of you, and particularly you, Mr. Ambassador, for this undertaking. I truly hope it succeeds, and I think with people like you it has a chance of having an impact.

I am not going to ask my question, but I will submit it to you. It is parochial to New Mexico, and it addresses the kind of proposals that have come to the Institute of Peace from my State. And they are very different. One is from an artist and the other is from an institution. I think the two proposals lend themselves to the question of how different kinds of proposals are going to be treated as you look at the overall thrust of the program. So, while they do have to do with my State, I think they will give the committee useful information. Is a great artist's concept of the Holy Land relevant to your thinking? That is one of the proposals.

And then an Institute that has been conducting forums on nuclear armament, listening to everybody, and educating everybody to the issue—is that a kind of activity that you are going to consider?

Thank you, Mr. Chairman. I surely wish you the very best, Mr. Ambassador.

Mr. LEWIS. Thank you, Senator.

Senator CHILES. Thank you, sir.

Ambassador?

STATEMENT OF SAMUEL W. LEWIS

Mr. LEWIS. Mr. Chairman, I am grateful to John Moore for his nice introduction, and I am very grateful to you and to this subcommittee for the very stalwart support that you gave to the Institute last year when we had some funding difficulties. And I am particularly grateful to you, Mr. Chairman, for your role in the appropriations process in the last round.

I know that this has been a long morning for you already, and I don't want to make it a lot longer. I have a prepared statement. I would like to submit it for the record.

Senator CHILES. It will be included.

Mr. LEWIS. And just let make a few points about the statement to underscore some things in particular.

ORGANIZATIONAL FOUNDATION

In the first place, I have found since I came in November to this position that the Institute has a solid, impressive organizational structure in place. The 2 years of operations have set a good foundation for a solid future. John Moore and other members of the Board and my predecessor, Bob Turner, deserve a lot of credit for what has been achieved. The foundations are now well out of the ground. And we are going to be finished by the end of this fiscal year with staffing-up the organizational structure that I think the Institute needs for the long haul. We are about two-thirds of the way there at this point, and we are actively recruiting to fill in the remaining gaps.

PUBLIC OUTREACH

The second point I would like to make is we have taken very seriously some comments made by your committee after the hearings last year, and our own concerns along the same line, to try to stress increasingly the building of bridges and links to the general public for the Institute. It is quite clear that there are hundreds of thousands of people around the United States vitally interested in the work of international dispute resolution and the purposes and ideals that the Institute was founded to symbolize. We are now making major strides, and I think beginning to have some effect, on getting those people to know we are here and know what we are doing and to feel some sense of participation.

For example, this was our first biennial report to the Congress, issued last September, and we published 15,000 copies. It tells the story quite well of what happened in the first 18 months. They are now spread around. We have come out with the second issue—just today—of our new Journal of which we are printing 15,000 copies. We have gotten very good reactions, too, to the first issue, which came out about 6 weeks ago.

In the budget request document that we sent you, which is a lot bigger than you probably wanted to receive, we tried to include not only a budget justification, but also a description of what we are all about. We think many members of the general public are interested in our budget, we are trying to make a good distribution of that document as well.

We have sent out about 35,000 brochures, and we are reprinting that right now. And there are a lot of other ways that we are beginning to get in touch with the public, though we know we have a long way to go. Newspaper articles, also, are beginning to come out here and there about the Institute.

I have to tell you, Mr. Chairman, that I have been sort of naughty, I guess. People still frequently ask me to talk about the Middle East, something that I am prepared to do, though surely not today. Whenever they do, I try to work in somewhere in the interview or the speech something about the Institute of Peace, because I am convinced that there is no problem in the world that so well demonstrates the need for this Institute than that seemingly intractable and complicated problem that I struggled with for most of the last 10 years.

We also have been getting out and speaking to a lot of organizations, probably 40 or so in the last 6 months. And we are very much aware that there are hundreds and hundreds more we need to be in touch with, and we are looking for better ways to connect up through networks, since our outreach problem is really challenging.

Moreover, in our programs at the Institute this year, like our series of colloquia on the intellectual map exercise with which I think you are familiar, we have been getting quite a diversity of professionals and experts from all around the country to take part in those programs. And moreover, in our Jennings Randolph Fellowship Program, which is now well under way, we are showing what I think is an exciting kind of diversity in the applications we are receiving and the variety of new fellowships which will be granted this year.

JENNINGS RANDOLPH FELLOWSHIP PROGRAM

For example, the 124 applications for the Jennings Randolph fellowships this year came from 28 States and 8 foreign countries; 65 universities were represented among the applicants, and 26 different professional and academic fields. There were 95 men and 29 women among the applicants. This distribution shows, moreover, that we are getting to a wide variety of people who are interested in this field and not just those who live along the eastern seaboard.

I might also mention that among our recent symposium groups, a large majority of the people attending as experts came from outside this Washington metropolitan area, a point that also was a matter of some concern to this committee in the past.

So, diversity we are getting at; outreach we are taking seriously. We have a long, long way to go, but I think we are beginning to make an impact on these concerns.

The third major point I would like to touch on is the fact that——

Senator CHILES. How many did you select for the fellowships?

Mr. LEWIS. The selections haven't been finally made yet. I might just interject here. We used two independent advisory panels to review all of the applications. They made their recommendations. The board of directors will make the final choices at its next meeting at the end of this month. But it will be in the range of 1 or 2 or 3 more distinguished fellows this year to add to the 8 we already have; between 5 and 8 or 9 peace fellows, the first mid-career group; and somewhere between 5 and 10 peace scholars, who receive the dissertation level fellowships. So, about 20 in all, something like that, this year.

Senator CHILES. And what will be the term, period of time, for each of these?

Mr. LEWIS. One to two years, maximum 2 years. It depends on their project. They can be renewed up to the 2-year ceiling, but the typical pattern is 1 year.

And about half of them will be in residence with us. We have three distinguished fellows in residence with us now in our new offices, and they are working here on their projects. The others are working elsewhere. We want to have a community of fellows with us of up to about 10 at a time taking part in the work of the Institute and interacting with the staff. I think this enriches our work and theirs.

PROGRAM REVIEW

The third point I want to make is about the program review process, Mr. Chairman. This year, beginning in January, we conducted a rigorous and painstaking review of all the projects and ideas and programs that have been launched over the first 2 years of the Institute's operations. And I call it a kind of a zero-based process because we really pulled up the plants from the ground, looked at them to see if the roots were still alive, stuck most back in the ground, threw one or two away, and then added a few new ideas to the mix. It was from that process that this blue budget presentation was derived.

Now, out of that process of review, whose results the Board was then asked to go over and approve, we have proposed shifting the allocation of resources this year and particularly next fiscal year more in the direction of education and training, not that we are giving up research by any means, but the initial projects and program emphasis was more heavily in the research area.

With the addition of John Richardson to our staff and the emphasis that the Board has wanted us to put on education and training all along—and we have been unable really to get moving—by next year we should be able to achieve, both in our grant program and in our direct Institute projects, roughly a 50–50 balance with the research and scholarly work which has occupied a large percentage of the Institute's programs so far.

BASIS OF BUDGET REQUEST

Now, out of this process, I think we have constructed a solid budget. We have an operating level this year of $5.4 million. That is composed of the $4.3 million appropriation that you were kind enough to get for us last year, plus about a $1.1 million in carryover funds, funds which largely had been firmly committed but were not formally obligated before the end of the fiscal year. So, we have an effective operating budget of $5.4 million for fiscal year 1988.

We are asking for $8.6 million for the next fiscal year, contrasting rather sharply with the figure in the President's budget which is only $3.4 million. I might say that we appealed that figure in the President's budget. The appeal was denied. But as you know, since we have an independent status vis-a-vis the executive branch, we felt obligated to come forward to you with our own best judgment about our own needs, and we hope that you will consider them favorably. The President's figure of $3.4 million would be a one-third reduction in our current operating level and, in fact, would be one-fourth less than our appropriation that you voted only in December. And we don't think it takes into account much of what has happened actually in the Institute in the last 2 years.

PREPARED STATEMENT

In conclusion, Mr. Chairman, I would just like to stress four brief points about this budget. It does reflect a careful reexamination of our first 2 years of operation. It is the product of a serious, project-by-project budget review process. It demonstrates a substantial rate of growth, but a rate of growth which I believe is appropriate for a new Federal institution with a wide-ranging, challenging congressional mandate. And it describes a prudent program within our capabilities to carry out. I firmly think that it merits your committee's full support, sir.

[The statement follows:]

STATEMENT OF SAMUEL W. LEWIS

Introduction

Mr. Chairman and Members of the Committee, I want first to thank the Committee for its stalwart support of the United States Institute of Peace in previous years and for this opportunity to discuss our Budget Request of $8.6 million for Fiscal Year 1989. I also thank Chairman John Norton Moore for his kind introduction and for all that he and other members of the Institute's Board of Directors have done in developing and shaping the Institute as a new, independent Federal institution during its first twenty-six months of operation.

I would like to begin today with a few personal notes and then summarize some highlights of (a) the current state of the Institute as an organization; (b) our accomplishments during the past year; and (c) some of the key policies and directions that apply to our work and will help you understand our budget request. To minimize the burden on your time, I will not repeat much of the detailed information that is included in our budget document which I will draw upon only for certain highlights. This year we used our budget presentation to describe our program plans in detail, supplementing thereby the required tables with our budget justification.

A Personal Note

I have now been President of the Institute for a little more than five months and am happy to appear before you for the first time. My role with the Institute is a natural extension of my earlier career, a career which ended with my retirement from the Foreign Service in June 1985. For the preceding 31 years, I had been a laborer in the vineyards of American diplomacy, moving from modest assignments to some very exciting and responsible ones. I can remember telling my wife at the beginning of those years that achieving peace was what my career in the Foreign Service would be about. That focus on peacemaking became even more central in my life during the last part of my diplomatic career when, as United States Ambassador to Israel for eight years, I was centrally involved in all our efforts to achieve peace between Arabs and Israelis.

One does not need to document the fact that war and the risk of violent conflict continue to be fundamental problems for mankind. While the United States and the Soviet Union are now making some progress in limiting nuclear weapons, other parts of the world remain in open conflict. Only four weeks ago the *Economist* magazine described 25 wars now in progress that have killed 3 million people so far, and estimated that deaths in wars since 1945 total more than 17 million. A partial list of current bloody conflicts is appalling: Iran-Iraq, Cambodia, Ethiopia-Eritrea, Afghanistan, Central America, Israeli-Palestinian, Northern Ireland, the Philippines, etc. New weapons mix with ancient emnities in a witches brew of continuing seemingly endless tragedy.

In this world of violent conflict, the United States stands almost alone in taking as part of its own national responsibility and heritage the obligation to help other countries achieve peaceful resolution of their conflicts. This noble enterprise--even though we are often unsuccessful--is in consonance with our history and our Founding Fathers' vision for this nation's special role in the world. An Institute of Peace representing that tradition cannot help but have an inspired vision of its own role. In recent years Americans have tried to mediate conflicts between Arabs and Israelis, between Argentines and British over the Falklands/Malvinas, between the conflicting parties in Southern Rhodesia, between South Africans and Angolans over Namibia, and so on down a long list. I had the privilege to work in one of those efforts -- the Camp David process -- and to work closely with our leaders who mediated that historic peace between Israel and Egypt. In that process I became intimately aware that our diplomats and statesmen -- while they have a lot to contribute -- also need a great deal of help.

In my judgment the United States Institute of Peace can offer some of that help and can serve as a symbol of the continuing American commitment to the peaceful resolution of international conflicts. I strongly support the Institute's goals and the broad mandate that Congress established for it: (1) To provide creative practical insights to those actively engaged in resolving international conflicts and to other policymakers; (2) to expand the body of knowledge about the nature and processes of peace and war by sponsoring more theoretical studies which embrace a wide range of viewpoints; and (3) to serve as an important source of support for civic education and training programs and for the dissemination of information to the public about peace, war and international conflict management. To accomplish these ambitious goals, the Institute must remain rigorously nonpartisan, objective, disciplined, and focused on practical objectives. We must also exercise careful stewardship of those funds provided by the Congress to carry out its mandate.

Organizational Developments

Since taking office on November 1, 1987, I appreciate the solid legal and organizational base that had been created for the Institute by its Board of Directors and by my talented predecessor as President, Robert Turner. While completing arrangements for our move to new quarters in December, we continued our discussions with Congress relating to appropriations for Fiscal Year 1988 and were gratified by the eventual outcome, a result which has permitted the Institute to proceed with programs on a wide front this year. Soon thereafter, we began preparing our Budget Request for Fiscal Year 1989 which gave me an opportunity to conduct a wide-ranging review of what the Institute has accomplished and where it should be headed. As part of that review, I have carefully read and noted the key points raised in the hearings that your Committee held just a year ago on the Institute and the reports of the Appropriations Committees from the Senate and the House of Representatives which were incorporated into the continuing resolution. We have tried to be wholly responsive in shaping our FY 1989 budget request.

During the past year, its second year of operation, the Institute has continued to mature and grow as an institution. In the process we have partly filled out the organization that we described to you in our last presentation to your Committee. Our personnel structure encompassing 27 full-time permanent positions, shown on page 8 of our Budget presentation, will be complete by the close of FY 1988. No increase is planned for FY 1989. Organizational highlights have included the establishment of a new program unit to manage research and studies that the Institute will itself direct and the time-consuming move to new offices which are now well equipped to house both our staff and the resident Fellows described below. Moreover, the Institute's Board of Directors now includes, for the first time, a distinguished woman political scientist whose appointment completed the complement of eleven non-governmental Board Members.

Accomplishments During the Past Year

During the past year, the Institute has continued to develop its basic activity areas of research, education and training, and public information, employing three different types of programs, consisting of grants, fellowships and Institute-directed projects. I will briefly describe some concrete accomplishments in each program area. In total, these will demonstrate that the Institute is rapidly developing a momentum that can and should be sustained through Fiscal Year 1989, if supported with funding at the level requested.

Grants Program Accomplishments

Until now in our Grants Program (as well as in the Fellowship Program described below), the Institute has taken an open, receptive approach to proposed grant topics in order to learn as much as possible about the range of work carried on by those already active in our field. The Grants Program has concentrated on (i) increasing its outreach, (ii) generating a steady flow of proposals, (iii) establishing an efficient review process that assures that all grants funded are for work of unusually high quality, and (iv) monitoring the implementation of grant projects for the timely production of results.

Since the summer of 1986, more than 14,000 grant application packages have been mailed to prospective applicants. Many of these have been duplicated and passed on by scholars, educators and other professionals. Thus, we estimate that the actual number in circulation may be three times the number mailed. Grant applications arrive at the rate of approximately 25 a month, and the Board of Directors has reviewed and acted upon these on an almost monthly basis since August, 1986.

To date, the Institute has received nearly 500 applications from nearly every state of the Union and from more than a dozen foreign countries. Eighty-five offers of awards have been made totaling nearly $2.3 million and covering a diverse range of topics and areas of the world.

The average award has been about $26,000. The Institute has been the sole source of funding in about 80 percent of the cases and has awarded an average of about one-third of the funding originally requested by grant applicants. By the end of Fiscal Year 1987 more than 25 percent of our total appropriations had been obligated to grants and contracts to nonprofit and official public institutions, as required by our legislation. At present the Institute is well on its way to meeting this requirement for Fiscal Year 1988.

From the awards made to date, the Institute anticipates that the grantees will eventually produce 56 books, 25 monographs, 100 articles, 2 films or videotapes, 26 course syllabi, and 2 computer databases.

Although the Institute did not begin to disburse funds to grantees until March 1987, products it has supported have already begun to appear. For example, newly created courses on international peace and conflict management are currently being taught at Columbia University, the American University, and Mississippi State University. A half-dozen articles generated by grant research projects have appeared in national publications, and the Woodrow Wilson International Center for Scholars has published an Institute-supported book on conflict in the Sudan. Many Institute grantees have shared their work during various stages of preparation with numerous scholars, educators, and other professionals at seminars and conferences in the United States and around the world.

Jennings Randolph Fellowship Program Accomplishments

As in the Grants Program, the Institute's immediate goals for its Jennings Randolph Fellowship Program have been to expand the program's outreach, to develop an efficient and equitable process for selecting fellows, and to assure that the Institute's support results in useful products. The first year's effort produced 8 Distinguished Fellows. Members of this group are now examining such diverse topics as religious and culturally based civil wars, suspension of civil rights in times of emergency, the role of the United Nations, and Soviet efforts to use proxy forces to expand influence in different parts of the world. These fellows are working on these issues in such widespread geographic settings as Nicaragua, Israel and the Sudan.

The Institute has nearly completed its second cycle of selecting Fellows. For the first time, awards will be given at all three program levels (the highest level, Distinguished Fellows; the middle level, Peace Fellows; and the graduate dissertation level, Peace Scholars). Decisionmaking for these awards will, for the first time, be based on initial review by two distinguished outside advisory review panels, composed of a mixture of academics and nonacademics from government, business, and public affairs. In total, 124 detailed applications and nominations were received. One advisory group reported that the 46 applications for Peace Scholar dissertation support covered a range of topics that they found "inventive and intellectually courageous." The full group of applications involved diverse academic fields including political science, international relations, psychology, philosophy, law, history, sociology, education, and journalism.

Accomplishments in Institute-Directed Projects -- Research & Studies

In its self-directed project on the "Intellectual Map of the Approaches to Peace" the Institute has now completed seven public workshops on various approaches to peacemaking and will hold a four-day working conference in June, 1988 to review results to date and to lay the basis for a comprehensive report and a book of the essays prepared for the conference.

This project represents a significant expansion in the Institute's outreach and a strengthening of the Institute's network of relationships with professionals working on problems of war and peace throughout the United States. Forty-four speakers have made presentations to these workshops; they represent 21 universities and 14 other interested private institutions located in ten states and the District of Columbia. Through this effort, we have communicated with many key people and institutions throughout the U.S., increased their understanding of the Institute's role, and helped stimulate interest in the Institute's grant and fellowship programs.

During this period, we continued to plan other Institute-directed projects such as a study of low-intensity or secret conflicts and their relation to the United Nations charter (on which work is about to begin).

Accomplishments in Education and Public Information Program

The Institute's efforts to increase the general public's understanding of issues of peace and war have centered on several activities aimed at reaching different audiences in the U.S.:

> **Television program on U.S. - Soviet summit meetings:** An hour-long program entitled "Face to Face: Conversations on U.S. - Soviet Summitry" was shown in December 1987 on about one-quarter of the PBS stations in the U.S. plus the American armed forces network overseas. Revised and updated versions (one 1-hour and four 1/2 hour programs) will be shown again in May 1988. Utilizing the mailing of a promotional brochure to 10,000 recipients, the Institute is packaging the half-hour programs together with a classroom text and marketing the package to schools and civic groups for use in courses and discussions.
>
> **National Peace Essay Contest:** Based on mailings of 35,000 information packages, the Institute has registered more than 400 secondary schools in this program and has appointed judges in every state. In this year's contest we have received over 350 essays from high school students in

most of the states and from American schools in several foreign countries. We will award scholarships to the winners in mid-June.

Jeannette Rankin Library Program: In March 1988, responding in part to a Congressional requirement, the Institute's Board approved the creation of the Jeannette Rankin Library Program. This program will be built around the Institute's research library and will include an oral history collection, the development of a specialized classification system for peace-related materials, and information exchanges among the Institute and other interested resource centers and the public. Over the long term the Institute expects its specialized, working library to play a major role in the assistance the Institute offers to other organizations and individuals involved in international conflict management activities

Institute Publications: The Institute has expanded its publication program significantly with the following:

> A brochure distributed to 35,000 recipients and now being reprinted.
>
> Its first biennial report to Congress with almost 15,000 copies distributed.
>
> Three issues of its newsletter, the first published as Update on the Institute and the last two published as The United States Institute of Peace Journal with distribution increased from about 2,000 for the first issue to more than 14,000 estimated for the current issue.
>
> Various efforts to increase the coverage of the work of the Institute in the media.

Accomplishments in Management and Administration

In preparing our Fiscal Year 1989 Budget Request, we organized the presentation on a program-by-program basis rather than solely on the basis of types of expenditures and object classifications. Using this budget request as a foundation, we have nearly completed the design and installation of a comprehensive financial reporting and monitoring system that will aid the Institute's program directors, President and Board to monitor the progress of all our activities and control costs effectively as the organization and its programs grow in size and complexity.

During this period we extended our existing agreement with the White House Office of Administration to serve as a service agency for the Institute, providing personnel and contracting services. Arthur Young &

Co. has completed its second audit of the Institute, covering the period through September 30, 1987. This audit has been submitted to each House of Congress and to the President. During this period, the Institute has also continued to use the Endowment of the United States Institute of Peace for program support as provided in the United States Institute of Peace Act, to give flexibility in carrying out the mandate which Congress has given to it.

Some Special Questions

Last year's Committee report commented particularly about the state of our outreach to the American public and the making of grants to organizations with which Institute directors are affiliated. The Committee also expressed the view that grant recipients should collectively represent a balanced cross-section of American approaches to peace and should not be made to agencies of the Federal Government.

Regarding the current state of our outreach efforts, I believe that the earlier parts of this statement make clear that we have made significant progress in developing our network of contacts both with specialized groups interested in peace and war and with the American public in general, though we have much more to do. As our budget request illustrates, the Institute's Education and Public Information unit has been established with the directive to respond to this important part of the Institute's mandate. We have recruited a widely experienced and distinguished individual to lead this effort.

Concerning grant applications that may raise questions of possible conflicts of interest for the Institute's directors and staff, the Institute responded to the committee's questions in a detailed written response to Senator Harkin's follow-up question amplifying the record after last year's hearing. The Institute has also appointed its General Counsel as Ethics Officer with responsibility to advise Board members and staff on these questions and to review the substance of any cases that are brought to his attention. He, the Director of Grant Programs, the Chairman of the Board and I work closely on these questions to ensure that our procedures identify all such possible situations and that policy issues are flagged. Board members are made fully aware of their responsibilities and are diligent about recusing themselves in cases which involve even the appearance of possible conflict of interest.

The diversity of our grant awards to date can be seen in the descriptions included in Appendix E to our budget request. I believe that a review of those awards will show that the Grants Program is balanced and non-ideological, and is funding a broad cross-section of American views on peace.

In regard to grants to other Federal institutions, the Institute has not made any such awards since we last appeared before this committee. Having said that, I would like to emphasize here my belief that the Institute should, in appropriate ways, work with parts of the United States

Government to help develop a cadre of public servants who are better educated, knowledgeable, and capable in the field of international peace and conflict management. The United States Institute of Peace Act, as I understand it, authorizes such collaborative work and would be an incomplete charter if it did not. We have no intention of augmenting the appropriation of any governmental agency, but we do intend to work with them in appropriate instances. One example of such work is negotiator training, for which we have requested $105,000 for the Fiscal Year 1989 Grants Program (see page 15 of the Budget Request). Among the institutions we would like to work with in this area is the Foreign Service Institute.

Policy Directions for the Remainder of Fiscal Year 1988 and Fiscal Year 1989

In the period through the end of Fiscal Year 1989, the Institute will continue to expand its activities in each of the areas that I have already described. (Our Budget Request also presents more of the details about these programs.) Program growth will be governed by the following policy guidelines:

(1) Strengthening the network of relationships in all related areas of American society: In education, we will increase outreach with secondary students through a broadened National Peace Essay Contest and other means; with graduate students through a larger program of Peace Scholarships to promote relevant dissertations; with professionals through a larger program of Peace Fellowships and Distinguished Fellowships along with a significantly increased grant program; and with the general public through direct dissemination of the Institute's products (reports, newsletters, brochures, etc.) and by sponsoring education and information programs which other citizen organizations can carry out with their own constituents. We are now initiating, for example, a new program of cooperative grant relationships with major nonprofit organizations to stimulate increased commitment of their resources to the education of their own constituencies in furtherance of the Institute's mission. We will also be directing more effort to building a network with peace-related institutions in other countries.

(2) As part of this overall outreach effort, the Institute will increase the proportion of its resources devoted to education and public information services. In its initial year of operation, the Institute developed first its grant component, with an initial concentration on research and studies grants. It now plans to expand its education and public information activities not only in the grants area but also in direct Institute projects, so that the proportion of funds allocated to these two functional areas will achieve relative balance in Fiscal Year 1989.

(3) As described in an earlier section, the Institute initially took a broad view of the range of topics it would consider for grant funding. This approach has helped us understand the nature of current and prospective plans of people already in the field. Starting in Fiscal

Year 1988, the Institute will more actively define in advance a major portion of the outside work it will fund through grants. Although a significant portion of funds will continue to be reserved for unsolicited grant and fellowship proposals, part of the funds available for Fiscal Year 1988 and an even larger proportion of those we request for Fiscal Year 1989 will be allocated to topics for which the Institute will develop the scope of work and then solicit applications. The Institute will also increase the number of research and study projects which it directly conducts or supervises.

In this manner, we expect to develop a more systematized approach to the various areas of international conflict study and management. For example, the topics for solicited grants include a number related to U.S.-Soviet relations as well as other major conflicts (the present and future role of deterrence; preventing accidental and unauthorized use of nuclear weapons; compliance with arms control agreements) as well as studies of factors related to the peacemaking process (nonviolent mediation of political change; the role of religion in conflict and peacemaking). Some of the projects which the Institute plans to conduct directly will include a study on the causes of peace and war, and working groups on "Religion, Ideology and Peace" and "Innovative Approaches to Peacemaking."

(4) To carry out the programs described in the Fiscal Year 1989 Budget Request, the Institute will maintain its full-time permanent staff at the previously planned 27 positions. (This compares favorably with the 28 positions which were projected in our presentation to the Congress last year.) We are currently operating at an overall FTE level of 20.5, including temporary and part-time personnel. This level will increase during the next few months to 31.0. The build-up from the current FTE level primarily represents filling of vacancies in middle management and support staff.

Fiscal Year 1989 Requirements

To maintain the momentum which the Institute has achieved in recent months, we request an appropriation for Fiscal Year 1989 of $8,604,000, a total arrived at by a detailed, project-by-project analysis of our requirements. In the current fiscal year the Institute has available for obligation a total of $5,435,000 (consisting of an appropriation of $4,308,000, a carryover of $1,037,000 and anticipated interest earnings of $90,000).

This Budget Request reflects the policy directions described above. Some prominent features are:

> (1) To increase the emphasis on education, training and public information, grants in those areas will increase from $682,000 in Fiscal Year 1988 to $1,373,000 in Fiscal Year 1989.

(2) To increase the Institute's role in defining the programs we will fund, our Grants Program provides for Solicited Grants utilizing $732,000 in Fiscal Year 1988 and $1,430,000 in Fiscal Year 1989. In addition, the funding of Institute-directed programs will increase from $418,000 in Fiscal Year 1988 to $996,000 in Fiscal Year 1989.

(3) Funding of the Jennings Randolph Fellowship Program will grow from $641,000 in Fiscal Year 1988 to $1,226,000 in Fiscal Year 1989, and the estimated number of fellows and scholars will increase from 11 to 19.

(4) Management and Administration will decline from $1,315,000 in Fiscal Year 1988 to $1,247,000 in Fiscal Year 1989.

Conclusion

In conclusion, Mr. Chairman, let me stress four points about our budget request: it reflects a careful reexamination of the Institute's first two years of operations; it is the product of a modified "zero-based", project-by-project budget review process; it demonstrates a substantial rate of growth, but one which is appropriate for a new federal institution with a wide-ranging, challenging Congressional mandate; and it describes a prudent program within our capabilities. I firmly believe it merits your Committee's full support.

APPOINTMENT TO BOARD AND OF AMBASSADOR LEWIS AS PRESIDENT

Senator CHILES. Thank you, Ambassador Lewis.

Senator Harkin?

Senator HARKIN. Mr. Chairman, thank you very much.

First of all, I would like to begin by expressing my strong support not only for the concept, but for the actual legislation that we have passed to create the Institute of Peace. There were a few halting steps in the last couple years, but tremendous progress has been made. I want to congratulate the board. Also, Chairman Moore, I congratulate you for the strides that have been made. I also want to congratulate you for getting Ambassador Lewis as the President. I think that was a quantum leap forward.

Mr. Chairman, if there is anyone that really brings prestige, plus a background and a working knowledge of conflict resolution, it is Ambassador Lewis. Your involvement, Ambassador Lewis, in the Camp David accords represents a premier model conflict resolution. It shows that people with even ancient rivalries and enmities can actually sit down and iron out their differences in a peaceful manner. I sincerely feel that your appointment as President and your acceptance of that position will help tremendously to move this whole Institute forward.

I also want to say that I congratulate the Board on finally getting a woman member. However, this is only a small step in the right direction. There are 15 Board members, and only one is a woman. It's better than nothing. I mean, it's better than a poke in the eye with a sharp stick I guess, as I used to say when I was a kid. But I would hope that an aggressive stance could be taken not only to seek more women, but also minority members. There are still no minority members on the Board. I hope that an aggressive policy would be put in place by the Board to broaden that out.

Mr. LEWIS. Senator, could I just make a remark about that?

Senator HARKIN. Yes.

Mr. LEWIS. To the extent that we can do something about it, we are doing everything we can. For example, 9 of our current 19 staff members are women, one in a senior position. We have been interviewing for a senior position that is currently vacant, the director of our grants program. Our present grants director is shifting to take over the research area, and we have interviewed a number of minority candidates and women. We have not made a final selection. We don't make the appointments to the Board of Directors; the President does, as you know. That is not within our power to affect, but to the extent that we can affect it, we are very sensitive to this question.

For example, in those two advisory panels I mentioned that reviewed all the Jennings Randolph fellowship applications, two of the four members in one panel were very distinguished women and one equally distinguished woman served on the other panel. So, we are doing our best.

PUBLIC OUTREACH

Senator HARKIN. Well, that's good. As I say, those are good strides forward.

Also, the newsletter and your annual report I think were good. I got them just the other day, and I have been looking at them.

Mr. LEWIS. Thank you.

Senator HARKIN. It looks very good.

There are just a couple of points I'd like to discuss for the record. One relates to the outreach program. As I travel around the country and talk about it, people say, well, what is this all about? We haven't heard of it. What's going on? We've really got to let people know about it.

CURRICULUM DEVELOPMENT

I am concerned about getting down into the secondary school level, the high school level. And again, I'm very sensitive to the local controls of schools. You can't be intrusive, but I would hope that something might be done to solicit proposals from school districts for model programs and curricula that might be established on the local level. These programs might then be used as models for other school districts. You already are in the essays. I think you are already doing some things in the essays.

Mr. LEWIS. That's right, yes, sir.

Senator HARKIN. I'm more interested in some curricula, some courses, that kind of thing that might be set up as a model.

Mr. LEWIS. Since we spoke the other day, Senator, I have checked again into this problem. In fact, I think I was mostly right. We have already given grants to four institutions that deal with the question of curriculum development for peace studies. American University has a program going based on one of our grants. Mississippi State University has an excellent program going, and that program also incorporates some high school teacher training, as well as the teaching of courses to regular college students. In New Hampshire, the New Hampshire Council on World Affairs has a grant from us to support high school teacher training related to peace and conflict resolution. And then Columbia University Teachers College has a significant program going with a grant from the Institute, once again to introduce peace and conflict resolution curriculum materials to potential high school teachers. So, although we have not made any grants per se to high school districts, we are beginning to get at some of the high school teachers.

And the Board has a number of other applications before it for curriculum development proposals that it has deferred, trying to find, as I suggested to you, the best way to approach this which would not interfere with the traditional local responsibility for public education. But we are very open to applications, and we would like to do much more in this field, if we can do it correctly.

Senator HARKIN. I was aware of the university based programs.

Mr. LEWIS. Yes.

Senator HARKIN. I didn't know that they had been involved in——

Mr. LEWIS. Well, when I spoke to you, I wasn't aware either. I had to go back and talk to the director of grants to find out more about those grants. These were all approved before I came on board, and they are really excellent programs.

ACADEMY OF PEACE

Senator HARKIN. Well, again, as I have said since the beginning of the U.S. Peace Institute these initiatives represent the beginning steps toward a peace academy as it was initially envisioned by Jennings Randolph and our colleague Senator Matsunaga. Admittedly, we've a ways to go before we meet our final goals, but I believe the Institute in its operations is helping to lay the groundwork. As they say, every journey starts with a few steps.

Mr. LEWIS. That's right.

FUNDING LEVEL

Senator HARKIN. These are the few steps.

Aside from that, I don't really have any questions.

I have looked over the report, Mr. Chairman. I can tell you I think the request that came down is way too low. It would require a backing off of the major progress that has been made in the U.S. Institute of

Peace. And I would hope that this subcommittee would recommend the full funding of the Institute.

Senator CHILES. Well, we have a good range to look at, anywhere from a 22-percent cut to a 100-percent increase.

Mr. LEWIS. Not quite a 100-percent increase over the operating level, $5.4 million, Senator.

Senator HARKIN. Well, Mr. Chairman, again I want to thank you all.

INSTITUTIONAL DEVELOPMENT GRANTS

Senator CHILES. We thank you for your questions, Senator Harkin, and your interest.

I would like to say, Ambassador, I am delighted also to see you accept the position as the President. And it looks like in spite of the fact that the administration certainly did not embrace this idea, we still see it selected with some very fine people. And I'm glad to see that.

You stated that in 1989 you intend to provide the institutional development grants for some key institutions operating in the field of peace. What kind of institutions would receive those grants? And would they be for general operating expenses, or would the institutions be expected to perform some service or function in exchange for these funds?

Mr. LEWIS. Well, I think they will be of two kinds: the educational institutions that want to develop broader programs of the sort that we have just been discussing, and also certain public citizen institutions that have programs of educational outreach already to the citizenry and don't include in those programs anything about peace and conflict resolution.

We have two such grant ideas cooking right now. They have not yet gone to the Board for approval, but these are citizen network groups which have programs of civic education all around the country and are interested in including in those programs material about peace and conflict resolution. What we would be doing essentially is helping them hire some additional staff and print and insert those materials into their programs. That is the sort of thing we are talking about, and with in the case of the universities, hire faculty, hire specialists, develop course materials, give scholarships, a variety of things. These are really modeled on the American University program that we already have going.

But we need to do a lot more because our program is rather heavily weighted at present, and has been, with grants to individuals. Now, we have certainly given the majority of our grants to nonprofit organizations or universities. And we have more than met our 25-percent minimum for grants to such institutions as established in our law.

But I think we need a greater multiplier effect. There are just too many people around this country interested in this subject for us to get at them one by one. And that is why for the future we are thinking more about trying to strengthen institutions than we are about adding to individual scholarship, though that will continue to be part of the program.

SOLICITED GRANTS

Senator CHILES. I note in your budget submission, for the first time you are saying you expect to fund some research on specific topics of your own choosing.

Mr. LEWIS. That's right.

Senator CHILES. What kind of topics do you expect to support research?

Mr. LEWIS. I think we cited a few examples, as a matter of fact, in our budget submission. What happened was that the Board in the beginning, I think with good wisdom, decided to invite proposals from researchers on anything that had to do with peace and war and conflict resolution, partly to see what sort of research possibilities were there, what ideas were around the country that needed funding.

Now, after 2 years' experience, we have seen there is a wide range of interest and a creative bunch of ideas. But it is time now to zero-in more closely on certain subjects where we haven't gotten very good proposals, but where we can design a project, go out and have a competition among a number of good universities or good research institutions, and come out with a much more targeted product on some of our higher priorities.

NEGOTIATOR TRAINING

Now, for example, one that is mentioned here in the presentation deals with ways to improve the training of negotiators. That is one that is of particular interest to me, I must say. We want to get several grants going in the negotiator training area, not just to develop better training techniques, but also to get some people and give some training to them, or get qualified organizations to give some training to them with our grant support. And this in part will require close cooperation with the Foreign Service Institute of the State Department which does the basic training for our diplomats. But I am not just talking about the State Department. I'm talking about Government negotiators more broadly and to some extent those private citizens who negotiate about foreign issues even though they are not Government officials.

DETERRENCE

Another subject area we want to address is the question of deterrence. We are convinced that the future of deterrence is one of the problems at the cutting edge of the next debate in this country about how we keep the peace in the world at large. In the wake the INF Treaty, is deterrence now unnecessary? Has it been changed? Has the theory of deterrence on which the world has operated since World War II in some way become outmoded? There are some tough questions here on which that lot of experts have different points of view. And I think we are in a good position as a neutral, national institution to bring together people with different points of view and get several projects going that would then dovetail into increasing our understanding of this crucial question: how we deter the big war and how deterrence works in third areas of the world as well, an increasingly important problem for U.S. policymakers.

PSYCHOLOGICAL THEORY AND PEACEMAKING

Another area where we want to develop solicited grants is this business of the psychological theory of conflict management. There are a lot of experts who think that traditional issues like deterrence and arms races are interesting subjects; but there is also now a growing body of research and practical experience in looking at the subtler side, the psychological questions in negotiating and conflict avoidance. We want to tailor one or two projects and get some really good people to do studies on that and test some of those theories for us.

PEACEMAKING IN REGIONAL CONFLICTS

Finally, we want to design a project or two that will help draw the best lessons from recent experience in negotiation where regional conflict, like the Middle East, has been the subject of serious negotiation over time. What lessons can you draw that are relevant to the next region, the next crisis for the United States? Those lessons are being drawn here and there by scholars and by practitioners. But I think there are some angles that haven't yet been explored, and we want to try to explore them with this solicited grant procedure which puts the Institute more into the design phase and not just as a passive recipient of proposals.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator CHILES. We thank you for your appearance here, and we might have a few other questions we would like to submit in writing.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

President's Budget vs. Institute's Budget

Senator Chiles: I see that while the President is requesting a 22 percent funding cut for the Institute, you are requesting a 100 percent increase. What activities would the President cut under his budget for the Institute? What activities would be expanded upon if we accepted your request?

Ambassador Lewis: Although the Institute's appropriation for FY '88 was $4,308,000, its working budget for FY '88 is $5,435,000 because of carry-over funds and interest earned. Thus, the President's request constitutes a 38 percent, not 22 percent, reduction, and the Institute's request would produce an increase of 58 percent, not 100 percent.

If the Institute were faced with a budget cut as proposed by the President, it would first set aside the 25 percent required to be paid out in grants and contracts to nonprofit and official public institutions, and then would reassess all projects, personnel, and operating costs. Some reduction of recently recruited new staff would probably be inevitable.

Although final decisions would depend on the outcome of our reassessment at the time, the first casualties would probably be all of the new policy directions described in our budget request. The Institute would not continue developing new projects which the Institute itself would direct, nor would it solicit a greater proportion of grant applications for work that it has defined in advance. If the President's proposal is adopted, our estimate is that the grant program and the Jennings Randolph Program fellowships for FY '89 would be reduced by nearly two-thirds from the level being carried out in FY '88. Some of the most promising programs developed so far would have to be dropped or cut back to such an extent that their benefits would be greatly reduced. For example: (1) the Jeannette Rankin Library Program would be operated only at a symbolic level; (2) the Institute's educational television series on the history of U.S.-Soviet relations would be halted; and (3) the development and application of new approaches to negotiator training would not get off the ground. In short, such a reduced level of funding would halt the Institute's momentum in its tracks and send a discouraging signal about the Institute's long-term future, not only to the growing number of Americans who are learning about the Institute and find it an exciting dimension in America's pursuit of international peace, but also to many people in other countries who are now learning about the Institute and its promise.

If the Institute receives an appropriation for FY '89 at the level it has requested, it would continue to expand its activities in the manner described in detail in our budget request document. This effort would include an increased focus on defining in advance the work to be funded through the use of projects which the Institute itself would direct and the development of more specific scopes of work for grant applications. It would also include a proportionately greater emphasis on the education, training, and public information activities than has been the case in the early start-up period.

Institutional Development Grants

Senator Chiles: In 1989, you state that you intend to provide institutional development grants "for some key institutions operating in the field of peace." What kinds of institutions would receive these grants?

Ambassador Lewis: Institutional development grants are principally intended for the support of college and university programs that pursue a broad, multi-disciplinary approach to research, education and training, and information services in international peace and conflict resolution. Generally speaking, recipients of such grants will be involved in coordinated research, teaching, and educational outreach projects. There are, of course, numerous institutions in addition to colleges and universities that study, teach, and inform the public. Some institutional development grants may go to private associations, libraries, think tanks, and other similar organizations.

Expenses Covered by Institutional Grants

Senator Chiles: Would grants be for general operating expenses or would the institutions be expected to perform some services or function in exchange for these funds?

Ambassador Lewis: Because of the limited funds at the Institute's disposal, it is necessary to require institutional development grantees to expend Institute of Peace funds on such direct costs as faculty salaries, course development, individual or group research projects, specific programs designed for public outreach, etc. It is our feeling that the grantee institutions should provide general operating expenses necessary to maintain the basic infrastructure, housing, and administrative support of programs. In that way, the Institute's grant monies will be applied directly to activities that benefit researchers, students, and the public.

Institute-Directed Research Topics

Senator Chiles: Also your budget submission states that in 1989 for the first time you expect to fund research on specific topics of your own choosing. On what topics do you expect to support research in 1989?

Ambassador Lewis: The Institute plans to pursue direct research in nine areas in FY '89, seven of which will span FY '88 and FY '89. The seven include four working-group projects on (a) causes of peace and war, (b) strengthening the United Nations system to meet the challenge of low-intensity conflict, (c) peace and deterrence after INF, and (d) third party mediation of regional conflicts. In addition, we will (a) continue for another year our "Intellectual Map of Approaches to International Peace"; (b) begin in FY '88 and continue in FY '89 a series of public workshops on a variety of basic and timely topics related to peace and war;* and (c) begin research for an annual "Report on the State of World Peace" that should yield a published volume in FY '89. Two new working-group projects will be initiated in FY '89. The topics have been tentatively designated as (a) religion, ideology, and peace, and (b) innovative approaches to peacemaking.

FY '87 to FY '88 Carry-Over Funds

Senator Chiles: At the time this Committee prepared to mark up your budget for 1988, you reported that you expected to carry over $300,000 from 1987. We now see that you carried over almost five times that amount, more than $1.1 million. Please explain why this occurred.

Ambassador Lewis: The $1,037,000 carry-over of unobligated funds reported in our FY '89 Budget Request includes (1) about $350,000 that had not been committed on September 30, 1987, and (2) about $700,000 that had been firmly committed, but had not matured as formal obligations, plus interest earned on Endowment funds. The carry-over projection we made last year of $300,000 referred to funds in the first category, i.e., funds that had not been committed. The $700,000 in the second category consisted mainly of commitments made in FY '87 that were expected to become formal obligations in FY '87 but in fact did not do so until FY '88. This included the following items:

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*Possible topics for workshops include: the philosophical and religious meaning of peace; international conflict in a post-nuclear era; the state of knowledge about arms races as causes of war; militaristic and nonmilitaristic political cultures; the current state of peace theory in the U.S. and abroad; and wars of national liberation and their effect on international security.

Firm program commitments that did not become formal obligations until after September 30, 1987		
Grants	$121,000	
TV Project	153,000	
Essay Contest	45,000	
		$319,000
Adjustments in rent reserve fund*		280,000
Service charges from the Office of Administration which were less than projected		16,000
Interest earned in the Endowment during FY '87		57,000

Funding Is Not Authorized in 1989

Senator Chiles: I see that appropriations for the Peace Institute are not authorized for 1989. Can you tell me if either the House or Senate authorizing committees have reported a reauthorization bill for your Institute?

Ambassador Lewis: A reauthorization measure for the Institute for FY '89 has not been reported by either Senate or House authorizing committees to date. However, we fully anticipate that appropriations for the Institute will be authorized within the coming weeks and that, for FY '89, the authorized figure will allow appropriations at the level requested by the Institute.

Education and Public Information Efforts

Senator Chiles: Your budget submission states that this year and next year you expect to greatly enhance your education and public information activities. Please explain what you plan to do in these areas.

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* The Institute's office lease is for a term of 5 years and gives the Institute the right to terminate the lease after the first lease year is completed by giving 12 months' notice if the U.S. Congress does not adequately fund the Institute's operations. To cover its potential liability under this termination clause, the Institute in FY '87 established a reserve of $560,000 for rent during the first lease year plus the 12-month notice period.

The $300,000 carry-over estimate excluded, as money for carry-over, that $560,000. After the Institute received its full FY '88 appropriation, however, FY '88 funds were then available to pay the rent during the first lease year. The Institute thereupon reduced the reserve to $280,000 to cover only the required 12-month notice period. This reduction had the effect of deobligating $280,000 and thereby increased the carry-over by $280,000.

Ambassador Lewis: We plan to increase all of our outreach efforts substantially, so as to bring into rough balance the over-all relationship between the Institute's efforts in the development of knowledge about peace, war, and international conflict resolution and the dissemination of such knowledge through teaching, training and citizen education. Specifically, we plan to launch two major new programs: (a) the Jeannette Rankin Library Program, and (b) a new grant category for nonprofit organizations to stimulate increased commitment of their resources to citizen education programs which complement and advance the Institute's mission.

Built around the Institute's research library, the Jeannette Rankin Library Program will include an initial target of 25,000 volumes in the core collection; an oral history collection emphasizing the recollections of participants in crucial peacemaking situations since World War II; the development of a specialized classification system for international peace and conflict management materials; and information exchanges among the Institute, other interested library centers, and the general public.

The new grant category will invite national voluntary and membership organizations with major outreach in such fields as labor, education, law, science, and business to provide their members and constituencies with new or enhanced educational services with regard to, in the words of section 1705(b)(3) of the United States Institute of Peace Act, "international peace and conflict resolution theories, methods, techniques, programs and systems." Grantees will be chosen on the basis of reputation, competence, and their own contribution of resources in support of efforts that offer the promise of exceptional quality, mutiplier effect, and impact.

In addition to these two new programs of education and information activities, the Institute plans to double its television effort, building on the success of the pilot "Face To Face" television program with a second one-hour program in the series on the history of U.S.-Soviet relations and a second one-hour program on another subject, perhaps relating to regional disputes. Both projects will optimize our application of resources by producing video/print educational packages for classroom and community use, drawing upon footage from the one-hour programs as was done with the four-part "Face to Face" video series.

Informing the General Public

Senator Chiles: What progress have you made over the past year in informing the general public of your events and activities?

Ambassador Lewis: We began in November by hiring John Richardson, a former Assistant Secretary of State for Educational and Cultural Affairs and President of Youth for Understanding, to develop and oversee the Institute's Education and Public Information Program. With his arrival last fall, the Institute began a systematic effort to increase public awareness across a broad cross-section of the American public as well as U.S. citizens abroad and peace research organizations worldwide. Public outreach operates through a variety of channels, including our newsletter (The United States Institute of Peace Journal); a developing speakers bureau using staff, Board, and fellows; and the colloquia series on the "Intellectual Map of the International Peace Field."

An important outreach activity has been the Institute's hour-long educational television pilot program "Face To Face: Conversations on U.S.-Soviet Summitry." It was distributed just before the Washington summit and aired by some 75 public television stations throughout the country, and was broadcast abroad by the Armed Forces Radio and Television Service. It has now been produced also as a four-part video/print educational package for use in classrooms and by community groups, marking the first step in the development of a significant new element in citizen education.

Also important has been this year's National Peace Essay Contest on the subject of human rights and peace. Beginning with the distribution of 35,000 information packets to all U.S. high schools and American schools abroad, the contest will soon produce state and national winners who will be honored in Washington in June.

Other outreach efforts since late last fall include:

- An informational cable sent to every U.S. embassy. The cable included background materials and publications from the Institute and asked the Information Officers to share that material with relevant academic and research organizations in the host countries;

- Three mailings to a 3,000-plus list of college and university Presidents and Deans, containing grants information, Jennings Randolph Fellows Program information, and courtesy copies of the Institute's "Biennial Report;"

- An Institute newsletter that began with a "USIP Update" distributed in the fall that was followed this year by two editions of the United States Institute of Peace Journal (The first edition of the Journal with 10,000 copies was printed in late February 1988, for distribution via mailing lists, conferences, etc. and a second issue of 15,000 copies was produced in late April);

- 14,600 copies of our Biennial Report to the Congress and the President have been distributed to date; and

- More than 5,000 general information pamphlets on the Institute's Jennings Randolph Program (fellowships) have been mailed worldwide, followed by some 3,200 complete application/nomination packages.

Institute Board and staff members have spoken before such diverse gatherings as:

- Society for Professionals in Dispute Resolution (SPIDR) Annual Conference
- Consortium on Peace Research, Education and Development (COPRED)
- American Forum on Education and International Competance
- New Hampshire World Affairs Council Meeting
- American Political Association Annual (APSA) Conference
- International Political Science Association (IPSA) World Council
- American Political Science Association Annual Meeting
- International Studies Association (ISA) Annual Conference
- World Affairs Council of Hartford, Connecticut
- College and university classes
- US Army War College symposium
- Canadian Institute for International Peace and Security (CIIPS) conference
- Irish Peace Institute conference
- Various civic and religious groups (e.g., Rotary Clubs, Williamsburg Peace Initiative)

Institute of Peace Week

Senator Chiles: What are your plans for U. S. Institute of Peace Week? Will these activities be designed to enhance the visibility of the Institute within the "peace community" or among the public at large?

Ambassador Lewis: The "U.S. Institute of Peace Week" proposed for FY '89 would bring together and "showcase" at one time the Jennings Randolph Fellows of that year (both out-of-residence and in-residence), Institute grant recipients, and Institute-directed projects. Designed around a conference format involving presentation and discussion of leading topics that cut across and integrate issues being addressed by the Institute through the instruments of its various programs, the week would provide a concentrated, cost-effective opportunity both to disseminate the findings of the fellows', grantees', and Institute's respective projects and to maximize cross-fertilization both among these Institute project participants themselves and between them and people outside the Institute. Non-Institute participants in the "Peace Week" could include policymakers (e.g., members of Congress and staff), peace and other organizations concerned with international conflict, international civil servants and diplomats, and individuals from the general public. Special efforts will be made to publicize this event with all relevant non-governmental and governmental organizations and the public.

Report on United Nations and World Court

Senator Chiles: You are proposing to do a study on ways to strengthen the United Nations and the prohibitions against aggression found in international law. Was this study solicited by the United Nations or the World Court and will the results of the study be reported to either the U.N. or the World Court in any formal way?

Ambassador Lewis: Our project to strengthen international law and the United Nations system to meet the threat of low-intensity conflict is an undertaking entirely of the Institute's own devising. We expect that it will produce in time two volumes of approximately 20 essays each on the nature of low-intensity conflict and legal and policy remedies to it. We will seek to have these volumes released by a major commercial publishing house and thereby to make them widely available to scholars and policymakers. As with all Institute research, we intend that the products of our efforts are available to those parties for whom they would be most useful, which for this study would include persons at the United Nations and the International Court of Justice.

Doubling of Invitational Travel

Senator Chiles: I see that you are requesting to double your expenditures for invitational travel. Who does the Institute commonly invite to travel? Do these individuals commonly not have their own travel budgets through their own employers?

Ambassador Lewis: Most of the Institute's invitational travel budget will be used by its Research and Studies Program, which will expand substantially during the remainder of FY '88 and in FY '89 and will include a series of projects modeled after the "Intellectual Map" project already being carried out. A typical project of this type will include a series of four to six meetings focusing on different aspects of a broader topic. Approximately 20-30 experts would attend each meeting, and the Institute will pay for their travel expenses. These experts will be outstanding scholars and practitioners in each field. They usually will be employed by universities, think tanks, and other public and nonprofit organizations who normally would not pay their travel costs for such occasions.

Compensation and Selection of Jennings Randolph Fellows

Senator Chiles: What is the average compensation for the Jennings Randolph Fellows, and how are they selected?

Ambassador Lewis: The Institute has just recently completed all but the final details of the first competition the Institute has held for all three types of fellowships offered under the Jennings Randolph Program (Distinguished Fellows, Peace Fellows, and Peace Scholars). The particular stipend of each of these awards will be determined in relation to the level of fellowship offered and the individual's previous income. The stipend policy toward Distinguished Fellows and Peace Fellows is one of "no loss, no gain," within a ceiling placed on each category. That is, Distinguished Fellows can receive an amount equivalent to their previous year's earned income, but not exceeding the Federal GS-18, Step 1 salary level, which is currently capped at $72,500. Peace Fellows can receive an amount equivalent to their previous year's earned income, but not exceeding the Federal GS-15, Step 1 level, which is currently capped at $53,800. Any sabbatical income or grants from other sources that these fellows receive for the same work as the Institute supports would offset the stipend offered by the Institute. Peace Scholars—graduate students working on Ph.D. dissertations—receive a flat annual stipend of $12,000.

The program's first fellowship competition cycle was completed at the Board of Directors last meeting at the end of April. This process was designed to ensure that all candidates would receive a thorough examination from a broad range of perspectives. This competition cycle began with widespread publicity in December and the receipt of 124 eligible and complete applications for all three levels by early March, 1988. Fellowship recipients were selected through a three-stage application review process, designed to ensure that all candidates would receive a thorough, informed, and fair examination.

The first stage of the application review process opened with the examination of all completed and eligible applications by two independent, diversified advisory panels composed of scholars and practitioners in areas of expertise germane to the Institute's mandate. All Distinguished Fellow and Peace Fellow candidates were reviewed by a panel chaired by Ambassador Carol Laise, former Director-General of the Foreign Service, Assistant Secretary of State for Public Affairs, and Ambassador to Nepal. She was joined by Dr. Robert Jervis, Professor of International Relations, Columbia University; Dr. James Laue, Lynch Professor of Conflict Resolution, George Mason University; and Ms. Judy Hendren Mello, president of J.H. Mello & Co., former Vice-President, American Express Company, and member of the Board of Directors, The Johns Hopkins University School of Advanced International Studies. All Peace Scholar candidates were reviewed by a panel chaired by Dr. Harlan Cleveland, Professor, Hubert H. Humphrey Institute of Public Affairs, University of Minnesota, and former Ambassador to NATO. He was joined by Dr. Kenneth Boulding, Distinguished Professor Emeritus, University of Colorado; Dr. James Kuhlman, former Professor of Political Science, University of South Carolina, and former executive director, International Studies Association; R. Bruce McColm, Executive Director, Freedom House; Harriett Fast Scott, Member, General Advisory Committee on Arms Control and Disarmament; and Dr. J. David Singer, Professor of Political Science, University of Michigan. Each panelist reviewed all applications assigned to his or her panel. The panels then met together at the Institute to review the applications and arrive at recommendations that equaled slightly more than twice the number of awards expected for this year.

In the second stage, the Institute's President, in conjunction with five senior members of his staff, examined all applications including those which the advisory panels had not singled out and, placing primary reliance on the panels' recommendations, developed for the Board a somewhat shorter list of recommended candidates. In the third stage, the Institute's Board of Directors made the final selections. As a preliminary step in this stage, the Board's Institutional Planning Committee examined all applications in detail and held 2 days of interviews with Distinguished Fellow and Peace Fellow finalists. At the April 29 Board meeting, the committee reviewed the applicants and made recommendations to the full Board, which then reached its final decisions. Those decisions included (a) a directive to the President to negotiate awards with one Distinguished Fellow applicant, six Peace Fellow applicants, and ten Peace Scholar applicants, and (b) a plan to develop additional information on up to five fellowship applicants with the possibility of additional awards being made in the summer.

QUESTIONS SUBMITTED BY SENATOR LOWELL P. WEICKER. JR.

FY '87 to FY '88 Carry-Over Funds

Senator Weicker: During consideration of last year's appropriation for the U.S. Institute of Peace, the Institute projected carry-over funds of roughly $300,000 from FY '87 that would be available for activities in FY '88. However, when the budget justification was submitted to Congress, the carry-over available to the Institute from FY '87 was over $l million. Why was there such a disparity between projected carry-over and actual carry-over?

Ambassador Lewis: The $1,037,000 carry-over of unobligated funds reported in our FY '89 Budget Request includes (1) about $350,000 that had not been committed on September 30, 1987, and (2) about $700,000 that had been firmly committed, but had not matured as formal obligations, plus interest earned on Endowment funds. The carry-over projection we made last year of $300,000 referred to funds in the first category, i.e., funds that had not been committed. The $700,000 in the second category consisted mainly of commitments made in FY '87 that were expected to become formal obligations in FY '87 but in fact did not do so until FY '88. This included the following items:

Firm program commitments that did not become formal obligations until after September 30, 1987		
Grants	$121,000	
TV Project	153,000	
Essay Contest	45,000	
		$319,000
Adjustments in rent reserve fund*		280,000
Service charges from the Office of Administration which were less than projected		16,000
Interest earned in the Endowment during FY '87		57,000

FY '88 to FY '89 Carry-Over Funds

Senator Weicker: How much does the Institute estimate in carry-over funds from FY '88 into FY '89?

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*The Institute's office lease is for a term of 5 years and gives the Institute the right to terminate the lease after the first lease year is completed by giving 12 months' notice if the U.S. Congress does not adequately fund the Institute's operations. To cover its potential liability under this termination clause, the Institute in FY '87 established a reserve of $560,000 for rent during the first lease year plus the 12-month notice period.

The $300,000 carry-over estimate excluded, as money for carry-over, that $560,000. After the Institute received its full FY '88 appropriation, however, FY '88 funds were then available to pay the rent during the first least year. The Institute thereupon reduced the reserve to $280,000 to cover only the required 12-month notice period. This reduction had the effect of deobligating $280,000 and thereby increased the carry-over by $280,000.

Ambassador Lewis: We estimate that uncommitted carry-over funds will be less than $250,000. There may again be some formal commitments that have not been finalized in the technical meaning of "obligation," and thus would be reported to you as carry-over funds. We will try to minimize that possibility, although, frankly, good management may require that we not be precipitous in making formal obligations out of commitments solely because of the advent of a new fiscal year.

Impact of President's Budget Request

Senator Weicker: The President's Fiscal Year 1989 budget request for the Institute is nearly $1 million below last year's appropriation and is significantly below the request in your budget submission to Congress. What would the impact be on the Institute's activities if the President's request was agreed to?

Ambassador Lewis: Funding at the level requested by the President would have a devastating impact on the development of the Institute. Whereas the Institute's request would produce an increase of 58 percent over the working budget for FY '88, the Administration's proposal would constitute a decrease of 38 percent. If the Institute were faced with a budget cut of such dimension, it would first set aside the 25 percent required to be paid out in grants and contracts to nonprofit and official public institutions, and then would reassess all projects, personnel, and operating costs. Some reduction of recently recruited new staff would probably be inevitable.

Although final decisions would depend on the outcome of our reassessment at the time, the first casualties would probably be all of the new policy directions described in our budget request. The Institute would not continue developing new projects that the Institute itself would direct, nor would it solicit a greater proportion of grant applications for work that it has defined in advance. If the President's proposal is adopted, our estimate is that the grant program and Jennings Randolph Program Fellowships for FY '89 would be reduced by nearly two-thirds from the level being carried out in FY '88. Some of the most promising programs developed so far would have to be dropped or cut back to such an extent that their benefits would be greatly reduced. For example: (1) the Jeannette Rankin Library Program would be operated at only a symbolic level; (2) the Institute's educational television series on the history of U.S.-Soviet relations would be halted; and (3) the development and application of new approaches to negotiator training would not get off the ground. In short, such a reduced level of funding would halt the Institute's momentum in its tracks and send a discouraging signal about the Institute's long-term future, not only to the growing number of Americans who are learning about the Institute and who find it an exciting dimension in America's pursuit of international peace, but also to many people in other countries who are now learning about the Institute and its promise.

Maintenance-of-Service Funding Level

Senator Weicker: What funding level would be necessary to maintain services in FY '89 at this fiscal year's level?

Ambassador Lewis: To determine the funding level necessary to maintain services in FY '89, one must first take into account the Institute's status as a growing, start-up organization. The Institute's operations have expanded steadily since it received its FY '88 appropriation in December 1987. Since then, new space has been occupied, more staff hired, new programs begun, and old programs expanded. By the end of FY '88, the Institute will be fully staffed; all of its space and equipment will be occupied and be operational; and major projects within the various program sectors described in the budget request for FY '89 will be underway. Consequently, with such a growth curve in FY '88, the measure of funding necessary to "maintain services in FY '89" will be our rate of activity in September 1988. Calculated on this basis, we estimate that the FY '89 funding level required to maintain services during the fiscal year is $6,900,000.

Solicited Grant Topics

Senator Weicker: The budget justification indicates that the Institute will begin in FY '88 and continue at an increased level in FY '89 to define in advance the work it will support in the Grants Program so that a portion of the solicitations for grants will be devoted to topics selected by the Institute. What areas has the Institute identified for focus in 1988?

Ambassador Lewis: Topics for solicited grants are still under discussion and consideration by the Institute's Board of Directors. Among a number of others, the following possibilities are included in present discussions:

- Enhancing Public Understanding of the Law of War
- The Role of Deterrence in War Avoidance
- The Relationship between Domestic Regimes and Aggressive Use of Force Internationally
- The Special Problems of Democracies in Dealing with Peace and War
- Problems of Compliance with Arms Control Agreements and Remedies to Violations
- The Problem of Accidental and Unauthorized Nuclear Attack
- The Problems of Ending Ongoing Wars
- The State of Current Knowledge of War and Peace, Including Complex Modeling
- Improving Methods of Negotiation Training
- Nonviolent Approaches to Political Change
- Psychological Theories of Conflict Resolution
- Comparative Study of Regional Conflicts
- Religion, Ideology, and Peace

After further deliberation, the Board will designate several topics to focus on in FY '88 and FY '89. The staff of the Institute will apprise the public of these topics and encourage grant applications to pursue them. We hope to make at least one award in each topic area. Should more than one outstanding application be received on a topic, we will reserve the option to make more than one grant for that area. Similarly, should no superior applications be received on a topic, we will make no grant in that area.

Advantage of Solicited Grant Topics

Senator Weicker: What is the advantage to implementing this new policy for the Grants Program?

Ambassador Lewis: In the beginning, the Board of Directors sought to open the Grants Program to the widest range of institutions and individuals working on the widest range of topics related to the mandate of the Institute of Peace. The intention was, in part, to permit expert constituents to inform us of the range of their work. Nearly two years of experience has taught us much regarding the work that is being done in research on peace and war. The list of topics above reflects our understanding of areas of certain important work that are in need of more grant support and are highly important to understanding international conflict and its peaceful resolution.

The solicited grants component will allow the Institute to focus its grants work better. The selection of a limited list of topics will permit us to encourage the pursuit of a coherent body of work through the Institute among scholars and educators. Narrowing and specifying topics will also allow the Institute to identify more readily and encourage the highest level of talent.

Funding Ratio Between Solicited and Unsolicited Grants

Senator Weicker: What do you project to be the ratio of solicited to unsolicited grants in FY '88 and FY '89?

Ambassador Lewis: We project that the ratio in grant dollars of solicited to unsolicited grants in FY '88 will be 45:55, and in FY '89, it will be 50:50.

Board of Directors

Senator Weicker: During last year's budget hearing, I expressed concern regarding the lack of any women on the Institute's Board of Directors. I understand by your written testimony that the President finally has appointed a woman to the Board and that she has filled the lone vacancy. When did she begin serving and do you anticipate any vacancies on the Board during FY '89?

Ambassador Lewis: On September 29, 1987, the President nominated Professor Elspeth Davies Rostow, former Dean and Stiles Professor of American Studies at the Lyndon B. Johnson School of Public Affairs, University of Texas at Austin, to fill the vacant position on the Institute's Board of Directors. The Senate confirmed her appointment on December 11, 1987, and she was sworn into office on January 1, 1988. The terms of office of five Directors appointed from the general public expire on January 19, 1989. Those Directors are: Dennis Bark, Evron Kirkpatrick, John Norton Moore, W. Scott Thompson, and Allen Weinstein. While the terms of office of the four ex officio members—William Burns (Arms Control and Disarmament Agency), Bradley Hosmer (National Defense University), Ronald Lehman (Defense Department), and Richard Schifter (State Department)—do not expire on a particular date, it is possible that, with the advent of a new administration following the 1988 presidential election, some of them may leave office and thereby leave the Institute's Board.

QUESTIONS SUBMITTED BY SENATOR MARK O. HATFIELD

Education and Training Grants

Senator Hatfield: I note that the Institute's budget justification indicates the Board's intention to award a number of "education and training grants" in FY '88 under the Institute's Grants Program. The justification states: "The Institute will make grants for educational outreach to non-academic, non-profit organizations which provide similar information for their members...." Would you briefly expand on the nature of this new program and on the Board's rationale for its implementation. Have any grants been awarded to date in FY '88? If so, how many and to whom? What is the projected profile of a grant recipient under this activity?

Ambassador Lewis: We are convinced that the United States Institute of Peace should assist carefully-selected trade unions, professional associations, civic associations, and other nonprofit, non-academic organizations to enlarge and enrich the educational services they provide their members and constituencies in order to enhance their citizen education activities with materials and programs about international peace, war, and conflict management as interpreted by leading scholars and educators of our time.

No such grants have been awarded to date in FY '88. We are hopeful that, at either the June or July Board of Directors meeting, we will be ready to present between one and three completed applications of this sort for Board consideration.

The grant recipient must be a highly reputable American nonprofit, tax-exempt organization or official public institution willing to commit major human and/or material resources and to carry out the proposed activities in such a way as to contribute significantly to the education of citizens across the country about issues of peace, war and international conflict resolution. The profile includes organizations with a grassroots constituency as well as those with specialized, professional interests.

Institutional Support Grants

Senator Hatfield: The Institute's budget justification also indicates that the Board expects to award four grants, totalling $255,000, for "Institutional Support to Strengthen College and University Teaching Programs in International Peace." Since this is another new activity for FY '88, would you please amplify the discussion in the justification concerning this initiative?

Ambassador Lewis: Institutional-support grants are intended to support multidisciplinary teaching, research, and public information programs at colleges and universities. From the beginning, we have made grants for this purpose, but on a modest level. These we have called education and training grants. On average, they have been around $30,000. We will, of course, continue to make such grants.

Given our experience in 1986-87, however, we recognized that there are programs that are better developed and more advanced than others. The needs of such programs will consequently be greater. Because more developed programs may serve as examples to other institutions and provide them with superior curricula and related educational materials, we believe that the Institute must be prepared to offer support to them as well. Our plan to offer four grants totaling $255,000 will make it possible to make awards in the $50,000 to $70,000 range. Like our education and training grants, these will be modest awards to permit us to support a number of large programs over time. Again like our education and training grants, institutional-support awards will be made in support of direct teaching, research, and public outreach costs.

Scholarship and Outreach

Senator Hatfield: I have heard a number of individuals describe the activities of the Institute of Peace as positive but primarily for "academics." Is the Institute aware of such a public perception? What activities of the Institute could help dispel this image?

Ambassador Lewis: We are aware of that perception. It is understandable, as the Institute's early emphasis was on grant-making, much of it for scholarly research. This initial concentration derived, in part, from the desire to begin with sound projects to expand the body of solid knowledge about the field before launching educational outreach activities to the broader public which could be built, in part, on the base of the early research and the experience of the Institute with its grants, colloquia, workshops, and other activities.

This relative emphasis has by no means excluded educational outreach and information dissemination. The Institute's educational television pilot program, "Face to Face: Conversations on U.S.-Soviet Summitry," has also been presented as a video/print educational package for use in classrooms and by community groups, marking the first step in the development of a major new element in citizen education. Distributed just before the Washington summit in late 1987, the TV program was used by more than 75 public television stations throughout the country and was also aired on the Armed Forces Radio and Television Service. Wide broadcast of an updated version is likely again in connection with the Moscow summit. That viewing may, in turn, stimulate greater awareness and interest in the four-part video series.

Another substantial project is this year's National Peace Essay Contest on the subject of human rights and peace. State and national winners from among the contestants will be honored in Washington in June.

The Institute's 1989 Budget Proposal is the best evidence of the Institute's determination to develop a balance between research activities and educational outreach (see especially Section V, pages 11 and 12, on "Program Emphasis").

Public perceptions can be expected to follow as information about the changing emphasis is disseminated through a variety of channels including our new speakers bureau activities, and Institute participation in conventions and other national gatherings, as well as through The United States Institute of Peace Journal and other publications.

QUESTION SUBMITTED BY SENATOR PETE V. DOMENICI

Grants to New Mexicans

Senator Domenici: Ambassador Lewis, I have been pleased, and somewhat surprised, at the interest in the Institute for Peace in my home state of New Mexico.

A large number of New Mexicans contacted me in favor of establishing the Institute several years ago, and now a different group of New Mexicans has been competing for grants from your organization. I have two comments, one about a proposal involving Central America, and a second one about a proposal involving your area of expertise, the Holy Land.

The Trinity Forum for International Security and Conflict Resolution, an outstanding organization in Sante Fe, is a finalist in a fellowship application from the Jennings Randolph Program. I encourage you to favorably consider such balanced projects on conflict resolution in Central America. Our government, both the executive and Congress, needs all the support we can in that area. We haven't done a very good job.

Also, an established artist of national repute, Mr. Arthur Sussman, has proposed a series of original paintings around the theme of the common interests of the Christian, Islamic, and Jewish faiths in the Holy Land. That's a tough and delicate assignment, but one that should be attempted.

Are projects such as these, somewhat different from the studies, books, course syllabi cited on page 5 of your tesitmony, also likely to be undertaken by the Institute?

Ambassador Lewis: I am pleased to be able to inform you that the Institute has decided to invite Mr. Bruce Berlin of the Trinity Forum to be a United States Institute Peace Fellow for the coming year. We share your concern with balanced, expert work on problems of conflict in Central America. We are excited about the work of the Trinity Forum and the prospect of having Mr. Berlin with us to share his work with the Board, staff, and other Fellows of the Institute and, through the Jennings Randolph Program for International Peace, with other interested people and organizations as well as the general public.

We have known about the Trinity Forum for some time and are impressed with its pioneering efforts in bringing eminent people of various persuasions together in public discussion of difficult questions regarding national security and peace.

Regrettably, the Institute was not able to see its way clear to fund Arthur Sussman's work. We fully appreciate the role that the arts can play in enchancing human understanding of common interests. We may make an experimental grant or two in this area at some time in the next several years. Given the Institute's present level of funding, however, we are compelled to look for work to support that will have the widest impact for our appropriated funds. I am sure that you will agree that scholarly studies, books for mass-market publication, and college courses on questions of international peace and conflict assure the greatest breadth and term of effect. We have chosen to begin with the support of these things to maximize the Institute's reach while staying within our means. With larger appropriations, there is no doubt that the variety of our grants will increase. It is probable that our first grants in support of the arts will come as part of support for multi-media approaches in public education projects. At this writing John Richardson, the Director of the Institute's Education and Public Information Program, is already in conversation with several organizations that have such projects in mind.

Since its beginning, the Institute has sought to learn about and support unconventional approaches to peacemaking. We are pleased to have the opportunity to work with Mr. Berlin for that reason. As our funding increases, so, too, will the opportunities to support work beyond the realm of scholarly studies and classroom education projects.

SUBCOMMITTEE RECESS

Mr. LEWIS. Thank you very much, Mr. Chairman.

Senator HARKIN. Thank you, Mr. Chairman.

Senator CHILES. Thank you, Senator Harkin.

If there is nothing further the subcommittee will stand in recess until Wednesday, April 20, when we will hear from Department of Health and Human Services agencies.

[Whereupon, at 12:17 p.m., Friday, April 15, the subcommittee was recessed, to reconvene at 9:30 a.m., Wednesday, April 20.]

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1989

TUESDAY, MAY 10, 1988

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 9:42 a.m., in room SD–138, Dirksen, Senate Office Building, Hon. Lawton Chiles (chairman) presiding.

Present: Senators Chiles, Burdick, Harkin, Weicker, and Domenici.

DEPARTMENT OF EDUCATION

OFFICE OF THE SECRETARY

STATEMENT OF WILLIAM BENNETT, SECRETARY

ACCOMPANIED BY:
- LINUS WRIGHT, UNDER SECRETARY
- BRUCE M. CARNES, DEPUTY UNDER SECRETARY FOR PLANNING, BUDGET AND EVALUATION ON DEPARTMENTAL MANAGEMENT

FISCAL YEAR 1989 BUDGET REQUEST

Senator CHILES. Good morning. This morning, the subcommittee will hear testimony from Secretary William Bennett on the Department of Education's budget request for fiscal year 1989.

The Education Department is requesting approximately $21.2 billion for fiscal year 1989, an increase of more than $850 million, or 4.2 percent above the fiscal year 1988 enacted level. This request stands more than 51 percent above the request for 1988 which sought to cut education funds by some 27 percent. This new budget signals a dramatic turnaround in this administration's policy toward Federal funding for education.

PROPOSED FUNDING INCREASES IN 1989

There is much to like in this budget.

The administration is to be applauded for focusing new resources, to a large degree, on programs targeted on our most disadvantaged students. The chapter 1 program is slated for a $230 million increase, while the Pell Grant Program is proposed for a $750 million increase.

Other programs proposed for additional funding include historically black colleges, handicapped education, and the College Work-Study Program. The administration's request to boost funding for the Drug Free Schools Program is especially gratifying to this Senator, coming as it does 1 year after a request to cut funding in half for this vital effort to get drugs out of our schools.

LITERACY TRAINING FOR HOMELESS ADULTS

Even so, within a budget seeking increased funds, it is disappointing to find proposals to terminate funding for new congressional initiatives such as our efforts to educate the homeless in the Workplace Literacy Program.

RONALD E. McNAIR ACHIEVEMENT PROGRAM

Even more disturbing has been the Department's refusal to release the small amount of funds provided by the committee for the Ronald E. McNair Achievement Program. This program, named after the black astronaut who lost his life in the *Challenger* tragedy high above Brevard County, FL, is designed to help turn around the decline in minority students attending graduate school. The position of the Department in this matter is something we need to discuss this morning.

When Secretary Bennett announced his intention to request increased funding for his Department, he said he wanted to get away from arguing over funding cuts and instead talk about the real issues facing education. I hope we can have part of that discussion this morning.

The Secretary's recent followup report on "A Nation At Risk," along with his many public addresses and visits to our Nation's schools, have kept the issues in education where they belong, in the limelight. Whether we agree or disagree with what the Secretary has to say, he has helped keep the education of our children in the public eye. It is the level of attention and concern that is needed if we, as a Nation, will improve education in the long run.

HAWKINS-STAFFORD AMENDMENTS

Finally, just 2 weeks after the President signed the new Elementary and Secondary Education Act which authorized approximately $500 million of new programs not covered by the request before us, we will hopefully learn this morning the details of the budget amendment the Department is sending up to fund some of these new programs.

Senator Weicker, do you have an opening statement?

Senator WEICKER. I have no opening statement, Mr. Chairman.

Senator CHILES. All right, sir. Senator Burdick? Senator Domenici?

Senator BURDICK. No, thank you, Mr. Chairman.

Senator DOMENICI. No, thank you, Mr. Chairman.

PREPARED STATEMENTS

Senator CHILES. Mr. Secretary, your entire statement will be placed in the record and we will let you proceed as you would like.

[The statements follow:]

STATEMENT OF WILLIAM BENNETT

I am pleased to appear before you to discuss the 1989 budget for the Department of Education. We are requesting $21.2 billion, an increase of $851 million over the 1988 appropriation.

Before I turn to the detail, I'd like to take a moment to describe the context in which this year's budget was developed. Almost five years after A Nation At Risk, we stand at an eduational crossroad, which I have described in my recent report to the President, American Education: Making It Work. Our Nation is now alert to the failings of our education system, and, indeed, there have been promising reforms made at all levels. We have tried to promote solutions through legislative proposals, administrative reforms, and such reports as What Works, First Lessons, Schools That Work, and James Madison High School. Test scores have risen a bit after heading downward for nearly two decades; graduation requirements have been strengthened in 45 of the 50 States; and national spending on education has steadily increased, reaching an estimated $309 billion this year.

But there is a real danger today that our progress may be stalling. In some States, badly needed education reforms have been watered down or blocked by entrenched interest groups. Improvement in the SAT and ACT test scores has halted. Whether we will be able to regroup and move forward, or give up the gains we've made, will depend on whether we have the resolve to do the right thing, to make the tough choices at this critical time. Certainly the American people haven't lost their nerve.

The latest Gallup Poll on education shows overwhelming public support for higher standards, for ridding our schools of drugs, and for more choice, more discipline, and more emphasis on instilling sound character and fundamental values in our children.

Above all, the American people want more accountability for their investment in education. By accountability I mean the giving and taking of responsibility for results. The public believes in accountability, and in this they are far ahead of most policy makers and indeed of most of the education establishment.

The lack of accountability in our schools is among the most striking and damaging features of our current education system. American education and American educators need more linkage between acts and consequences. As I noted before, there are greater, more certain, and more immediate penalties in this country for serving up a single rotten hamburger tahn for furnishing a thousand chidlren with a rotten education. This must change.

The President has made education a priority for this Administration and in this budget. The Federal Government is ready to do its part. But in this political season we often hear that the answer is simply to spend more. The people know better. They know that it isn't enough just to spend more -- but that, as the President put it recently, "how we spend is as important as what we spend."

Our budget for 1989 does spend more, but, more important, it also spends better. Last year, we proposed to the Congress that the principle of accountability be applied to Chapter 1, the largest Federal elementary and secondary education program, and to the programs of the Drug-Free Schools and Communities Act. The Congress has, in some measure, adopted these important concepts in the newly enacted Hawkins-Stafford Amendments. This year, we want to continue and expand our efforts to foster accountability in Federal education programs.

Since passage of the Hawkins-Stafford Amendments, we have been workings with the Office of Management and Budget to revise our estimates for the programs affected by the legislation. We now have final decisions and will be transmitting to you a revised budget reflecting our policies on the legislation as enacted. The request I am presenting at this time reflects our new funding levels.

Let me now highlight some of our priorities and initiatives for 1989, beginning with elementary and secondary education.

For Chapter 1 we are requesting $4.6 billion, an increase of $238 million, which will enable us to provide assistance to about 5.6 million disadvantaged children. In keeping with our reauthorization proposals, and the Hawkins-Stafford Amendments, most of this increase would be used to aid school districts with large concentrations of children from low-income families, and accountability for results will be enhanced. The rest of the increase would go primarily to all Chapter 1 eligible districts through the Basic Grants program.

Magnet schools are one of the real success stories of the education reform movement. Because they give parents greater choice, they are inherently more accountable. When magnet schools provide their students an excellent education, they also stimulate other, non-magent schools to improve. For 1989, we are requesting $115 million, a $43 million increase, for magnet schools in districts undergoing desegregation. We are also requesting $5 million for Alternative Curriculum Schools so that the benefits of magnet schools can be extended to school districts not operating under a desegregation plan.

The Nation needs more good teachers who know their subjects. We are requesting $12 million to support the new Fund for the Improvement and Reform of Schools and Teaching, including $4 million to develop affective models for family-school partnerships. The Fund will also support efforts in the area of alternative certification for teachers, to bring new talent into the profession.

For bilingual education we are requesting $157 million, an increase of $10 million, based on the adoption in the reauthorization of the Administration's recommendation for increased local flexibility in choosing the best instructional approaches to help students become proficient in English.

Illegal drug use remains a serious problem in our schools and among our youth, and we will seek $250 million -- the maximum amount authorized -- to fund the Drug-Free Schools and Communities Act. We are pleased to see that Congress has adopted some of our proposals for greater accountability in the use of these funds, and we hope that these measures will be strengthened in the future.

In vocational education, our goal is to improve program quality by strengthening the States' responsibility for setting, assessing, and enforcing standards of performance. We are asking for $888 million. In adult education we are requesting $150 million, an increase of $16 million, in order to continue our efforts to reduce adult illiteracy.

Handicapped children and disabled adults are a high priority in the 1989 budget. Our request of $3.6 billion, an increase of $77 million, will enable us to assist over 4 million children and 1 million adults.

In our 1989 student aid budget, we are asking for $8.8 billion to provide increased aid to almost 6 million students. We project that total Federal aid available will increase by nearly $900 million to $16.5 billion. Most of the increase will be in Pell grants, where we are seeking to increase the maximum grant to $2,300. Although our budget documents anticipated a Pell grant shortfall in 1988, we no longer expect this to occur based on a new, higher estimate of available carryover funds. Thus, we plan to fully fund the 1988 appropriation, which provides for a maximum grant of $2,200. However, we will seek supplemental appropriations language which would let us reduce awards fairly by across-the-board cuts rather than through an inequitable linear reduction, should a shortfall occur in academic year 1988-89. The Income Contingent Loan Program, begun last year on a demonstration basis, will be increased to $50 million in order to extend the program to more colleges and universities. We are encouaged by the results so far.

Historically black colleges and universities are an important national resource, and they will receive $80 million in the 1989 budget, and increase of about $7 million.

Accountability will be a theme in student aid as elsewhere in the budget. Because colleges and universities have control over and benefit from campus-based aid (work-study and supplemental grants), it is reasonable to expect some accountability in return. We'll be proposing an incentive system whereby colleges' allocations will be based on how well they meet performance goals. Accreditation is another important aspect of accountability, and over the next few weeks, we ill publish final regulations for recognizing accrediting agencies that emphasize assessment of student learning and truth in advertising.

Current student aid policies fail to reward -- indeed discourage — savings. In order to counter this, to stimulate and encourage savings, we are proposing college savings bonds, which we believe to be a cost-effective means of helping provide for our children's future. Savings can also be encourage by simplifying the present cumbersome and error-ridden student aid needs analysis system. We will propose a two-year trial to test a simplier, fairer system.

Our student aid system continues to groan under the heavy fiscal burden of defaulted loans, now costing taxpayer $1.6 billion per year. This has got to change. We once again are asking the Congress to close the "ability to benefit" loophole that encourages the exploitation of ill-qualified students, by allowing Federal student aid to go to students who do not have a high school diploma or its equivalent, leading to even more defaulted loans. We also are pressing the Congress to make lenders and guarantee agencies more accountable for defaults, so that responsiblity is more fairly shared, and we are seeking the authority to act against any school or college that abuses student aid or violates the public trust. And we are asking the Congress to remove restrictions that prevent us from using the new student loan data system to reduce defaults. Several of these proposals, along with others, were sent to the Congress last week as part of a student aid accountability legislative package.

If we're willing to spend $8.8 billion to subsidize soring college costs, then we also should be willion to spend something to help control those costs. With a $2 million increase for the Fund for the Improvement of Postsecondary Education we intend to make a number of grants to colleges and universities to demonstrate means of achieving reduced costs and greater efficiency. Research and statistics will be increased $16.9 million, to $84.4 million. The increase will be used to expand the National Assessment of Educational Progress and to continue much-need improvements in the Department's data collection activities. It would also fund grants to States to help defray the cost of their participation in a new cooperative statistics system. In addition, we would fund library programs at $76 million under legislation that will be proposed to extend library services to disadvantaged and handicapped people, and support library resource sharing and research and assessment.

I'd like to mention one final initiative in this year's budget that isn't a line item and doesn't have a dollar amount attached to it. We will ask the Congress to give us the authority, in any of our discretionary grant programs, to award challenge grants to educational institutions. One of the best things a Federal dollar can do is to help raise two or three private dollars for a worthy project. Challenge grants are a fine example of how the public/private sector partnership ought to work.

Department officials and I look forward to working with you to achieve a responsible budget in an expeditious manner.

I would be happy now to respond to your questions.

STATEMENT OF BRUCE M. CARNES

I am pleased to appear before you to present our 1989 budget request or Departmental Management.

The Department of Education administers some 180 major Federal education programs which total over $20 billion annually and which span virtually every level and area of education. Large formula grant programs, such as Chapters 1 and 2, Education for the Handicapped, Vocational Education, Impact Aid, and Drug-Free Schools and Communities, affect almost all our 17,000 local eduation agencies and 46 million elementary and secondary students. Student aid programs, including Pell Grants, Guaranteed Student Loans, Work-Study and Graduate Fellowships impact on 6 million college students, over 8,000 postsecondary institutions, including proprietary schools, and nearly 13,000 commercial lending institutions. Almost 3 million adults are served under the Adult

Education Act, and another one million adults who are disabled receive vocational rehabilitation.. The Library Services and Construction Act over the years has leveraged support for most of our Nation's public libraries. A variety of discretionary programs address such diverse areas as teacher training, research and development education statistics, magnet schools, bilingual education, school dropouts, homeless children and adults, international education, and higher education facilities construction.

In addition to administering these programs, the Department is responsible for enforcing numerous civil rights laws affecting the recipients of Federal aid and for conducting audits and investigations.

The fiscal year 1989 costs associated with the Department's administrative responsibilities total $314.7 million, or about 1.5 percent of the Department's total budget request of $21.2 billion.

Overview

We are requesting $255.4 million for Program Administration, an increase of $15.0 million above the 1988 operating level; $41.3 million for the Office for Civil Rights, an increase of $965,000; and, $17.9 million for the Office of the Inspector General, an increase of $540,000 above the 1988 operating level.

Our request supports an employment level of 4,439 full-time equivalents (FTE), a reduction of 6 from our 1988 ceiling. In addition, 50 FTE will be funded by the Indian Education appropriation, bringing the total for the Department in 1989 to 4,489 FTE. The FTE levels for each office remain constant with one exception: a decrease of 6 FTE in the Office of Management, reflecting the completion of the transfer of the Regional Office Facilities Engineering and Construction function to the Department of Health and Human Services.

The number and complexity of our programs have grown dramatically in recent years and appear likely to grow even more if new programs in H.R. 5 are funded. However, we do not believe we need additional funds and staff to administer programs already funded in 1988. During the past several years, we have been able to administer new programs such as Dropout Prevention, Drug-Free Schools and Communities Education, Magnet Schools, and Science and Mathematics, without additional resources, by setting priorities, managing effectively, and increasing the productivity of employees, particularly through increased use of automated data processing.

At this time, I will address only the Program Administration portion of our Departmental Management request. Separate testimony will be provided for the Office of Civil Rights and the Office of the Inspector General.

Program Administration

In 1989, over 57 percent of our Program Administration request of $255.4 million is budgeted for employee salaries and benefits, 24 percent for automated data processing expenses associated primarily with the student financial assistance programs and other contracts for Departmental services, and 10 percent for rent, communications, and utilities expenses. Other items, such as travel, supplies and equipment, account for the remaining 9 percent of the budget.

Of our requested net increase of $15 million for 1989, approximately 10 percent reflects the combined full-year effect of the January 1988 pay raise, the proposed January 1989 2 percent pay raise, and the effects both pay raises have on the new Federal Employee Retirement System (FERS). FERS costs are estimated to increase by 2 percent in FY 1989 to $6.2 million.

Almost 40 percent of our requested increase--the $5.6 million proposed for later transmittal--is contingent upon enactment of proposed legislation for the National Student Loan Data System. The System is not needed for program management or research purposes, and is only justifiable if it can be used as a default prevention tool. Our proposed legislative changes would make the Data System an effective means for curbing default and repayment abuses under the Federal student aid programs. The proposed changes will allow us to require that guaranty agencies, lenders, and institutions verify information before making loans, thereby eliminating loans to borrowers who have either defaulted on prior loans or exceeded loan limits. A properly constituted National Student Loan Data System can be an effective tool in addressing the growing costs of defaults that are eating up $1.6 billion a year in funds that could be used for other education priorities. Without these proposed changes, however, the Department will not request funds for implementing the System.

Approximately 50 percent of our requested FY 1989 increase for Program Administration is for fixed costs and expanded services, offset by a number of built-in and program decreases. A $10.5 million increase, for example, is budgeted for ADP services to finance fully both GSL and Pell Grant data processing contracts under the Program Administration account. Likewise, we propose to fund all field reader costs under this account in FY 1989, requiring a $1.0 million increase. Some of these costs have previously been funded on a reimbursable basis from program accounts with authority for administrative support. These increases are partially offset by a rent reduction of $1.7 million through our space consolidation efforts in 1987 and 1988. Another decrease of $2.6 million will result from funding the second cycle of the Student Aid Survey out of the Education Research and Statistics program account.

Student Loan Default Reduction and Collection Initiatives

In addition to an estimated $5.6 million in our 1989 budget for the National Student Loan Data System, we are taking other steps in 1988 and 1989 to reduce defaults and collect more on the defaults that do occur. Our efforts include:

o Improving and Strengthening Program Monitoring. In FY 1988, we are redirecting trave funds from areas of lower priority to increase monitoring of the guaranty agencies, lenders and institutions participating in the student aid programs. This is especially critical in the case of proprietary institutions which have expanded their program participation as well as increased their default rates.

In FY 1989, we are requesting an increase of 30 percent, or $400,000, in postsecondary education travel funds, primarily for program monitoring, in order to reduce the number of years between each institution's student aid program review. This will enable us to detect fraud and abuse earlier--before these practices become entrenched.

We are also giving priority to hiring a larger student financial assistance monitoring staff. We believe we can accomplish this without increasing our overall FTE ceiling by not filling less critical vacancies.

o Providing More Training Workshops and Materials with emphasis on preventing fraud, abuse and default. For instance, in 1988, we are providing training in student aid program administration for student aid program administrators and fiscal officers by using case studies from the programs. Our FY 1989 request includes $1.2 million to provide training and materials on due diligence and debt counseling for State agencies and guaranty agencies. In addition, in 1988, we will be conducting a default reduction workshop for historically black colleges and universities to provide guidance and solutions for dealing with default problems. This workshop will highlight effective GSL management techniques and cover recent program changes designed to prevent defaults.

o Reassessing Our Debt Collection Methods. In order to continue to make improvements in debt collection and default prevention, the Department is commissioning two studies in 1988 comparing procedures and costs for collecting defaulted loans to determine whether the private sector, including guaranty agencies, or the Department can collect defaults more efficiently.

o Continuing the Federal Employee Salary Offset. The second round of salary offsets from Federal and Postal Service employees who have defaulted will begin by November 1988. These salary offsets will include the salaries of employees whose loans have been held by guaranty agencies. As a result of an October 1987 offset notification sent to almost 22,000 Federally Insured Student Loan and National Defense Student Loan defaulters with $39 million in defaulted loans, $2.7 million has been collected from Federal employees.

o Extending the Authority for the IRS Tax Refund Offset. The Department is requesting extension of the current IRS tax offset authority. The Department has set a goal of $131 million in collections through tax refund offsets in FY 1988 and $145 million in FY 1989, if the authority is extended beyond July 1988.

Debt Collection and Other Management Accomplishments

The Department has also recorded some impressive debt collection and other management accomplishments. In particular, I would cite the following:

- Our private sector debt collection contractors increased receipts in FY 1987. Some $60 million in outstanding student aid program debts was collected. We project that another $86 million will be collected by private contractors in FY 1988.

- In 1987, we collected $137 million in student loan defaults through the IRS offset of debtors' income tax refunds. Over 277,000 defaulters had refunds withheld. The total collected through FY 1987 and $259 million.

- In FY 1987, the Department achieved net savings of $584 million from discounted prepayments and loan asset sales in the College Housing Loans and Higher Education Facilities Loans programs. Another sale in 1988 is expected to yield $314 million. As a result of the sales, the Department has developed first-hand knowledge of commercial loan management practices which we are incorporating into our own loan orgination and servicing operations. Education was one of the first agencies to implement an asset sales program.

- The Department has expedited Federal payments to program recipients through the use of the automated FEDWIRE (Fast Pay) System. Fully operational since November 1987, our electronic payment system provides the Department's 400 largest and most active grant recipients payments within 24 hours of request. This system eliminates an estimated 60,000 paper requests annually.

Proposed Technical Changes

We are requesting a change in the generic, often confusing title of the "Salaries and Expenses" account to "Program Administration," which better distinguishes the activities_funded in the account from those in the Office for Civil Rights and Office of the Inspector General accounts.

Mr. Chairman, I thank you for the opportunity to present our request. My colleagues and I will be happy to answer any questions.

REMARKS BY SECRETARY BENNETT

Secretary BENNETT. Thank you, Mr. Chairman and members of the committee. Good morning.

I will obviously submit the entire statement for the record, Mr. Chairman. In the interests of time and the admirable restraint of the panel here, I will just take a minute to say that I think the budget proposal before you is a good one. We are pleased with it, proud of it, and will be happy to discuss details in the proposal with you.

On a personal level, this may be the last time I appear before this committee as Secretary of Education. I just want to say that I very much enjoyed my tenure, including hearings on the Hill. We have had our disagreements, but I think we can say over the last 3 years, 5 years, 6 years, whatever, that there has been an intense national conversation about education.

There has been more activity, reform measures, and other things at the Federal level, the State level, and the local level than we have ever seen, I think, in American history. It has been a good time for this issue. The results are not all in.

In the report we issued 2 weeks ago, or 1½ weeks ago, we said that we were showing some signs of progress. I think we can take encouragement from that, but we still have a long way to go.

In going that distance, it is clear that the Federal Government, as well as State and local governments, have their roles to play; we have tried to play ours. We have tried to play ours as effectively as we can. It is not the way everyone would do it, but it is the way we have done it. We are generally pretty pleased with it. With that, Mr. Chairman, I would be happy to submit to questions.

INCREASED BUDGET REQUESTS IN ELECTION YEAR

Senator CHILES. Mr. Secretary, we said that it was gratifying to have you requesting a 4-percent increase after the 27-percent cut you requested last year. Still, it is hard not to notice that the last time the administration asked for an increase was the election year budget of 1984. In 1985, the year after the election year budget, the administration went back to a 12-percent cut.

Your predecessor, Secretary Bell, wrote in his recent book, that in 1985, "The only difference was that the election was over. With a sour taste in my mouth, I had to acknowledge that my friends had been right after all. The commitment lasted only as long as the election season. There was no longer any need to stay out in front of the sensitive area of education." This is quoting from his book.

Is this just an election year budget, or has there been a true change of heart?

Secretary BENNETT. Well, there have certainly been other factors. Obviously, everybody notices the fact of an election year. An election year may make people focus more closely on these matters than in other times. That's all right. Elections can serve that purpose.

BIPARTISAN BUDGET AGREEMENT

I think the other factors here are the factors I can talk about because these are matters I was intimately involved with. One was the agreement between the Congress and the White House about a 2-percent increase in domestic spending. We fall under domestic spending, and that agreement gave us considerably more room for adjustments in our request than we have had before. Prior to that agreement, we were facing the Federal deficits, and the Department of Education with other departments took its licks in terms of the request. With that agreement, a 2-percent increase in domestic spending, we were given the green light to go ahead. I think our total budget is actually closer to a 4-percent increase for this year. That is one factor.

BUDGET SIZE ARGUMENTS OBFUSCATE ISSUES

The other factor, being very candid Mr. Chairman, is that after a couple of years of this, one realized that the kind of proposals we were putting forward had almost no support on the Hill. It had no support from Democrats and almost no support from Republicans. As a result, as I argued and others argued, many of the issues that we wanted to address were being obscured by the larger fact of fundamental disagreement about the size of the budget.

My argument was that we were sort of out of the game by coming forward to the Congress with a budget of this size. We should be in the game, because a number of the proposals we have we think are sensible and they should be advanced. The only way to advance them was to recognize this reality of fundamental concern about the budgets, as if one could not get to the table to talk about the ideas unless a budget request was of a certain magnitude.

How widely was that shared? Well, again that general sense was widely shared on the Hill because the votes against our budget proposals were not 60 to 40 in the Senate or 280 to 240 in the House; the votes against were very large. That message was clear enough. Many of us felt that, given the agreement between Congress and the White House and that reality, and the importance of getting these ideas out on the table, we should shift strategy. That is what happened.

Senator CHILES. I like the second reason better than the first because I think Education was taking more than its licks at a 27-percent cut. I think there was much more.

STUDENT STANDARDIZED TEST SCORES

Mr. Secretary, recently a group known as Friends of Education has claimed that the improvement in student test scores may be fraudulent. They point out that almost all States are claiming their students are performing above the national average.

Should we believe the school reform movement really has improved these student performances?

Secretary BENNETT. Let me say that Dr. Cannell in West Virginia and his group have, I think, made an interesting argument and a persuasive argument in many fronts, and that is the way many districts and States report their test scores. They are based on tests which can give you these misleading results. The tests are not renormed. The test results from one year are compared to students taking the test 10 or 15 years earlier. There may be a select group taking the test.

I think the general impetus behind what Dr. Cannell and others have pointed out is correct. When we say that we take encouragement, Mr. Chairman, from modest progress, we are not basing our findings on the same results, on these same tests. We are basing them on tests which we believe are much more accurate, such as the SAT and the ACT, which do not suffer from the problems and the liabilities that some of the other tests do. We are quite confident in our conclusion about modest progress, and we think that can be demonstrated.

NATIONAL ASSESSMENT OF EDUCATIONAL PROGRESS TESTING

For the future, however, as you know, we have a great interest in expanding the reliable basis of testing for this country. This is why we seek an increase in the national assessment of educational progress which will give us a test which everyone can take and which will give us reliable results and will not suffer from the odd and misleading kind of conclusion that we have at present with some of the other tests. Is that accurate?

Dr. CARNES. Yes.

TIME SPENT TESTING VERSUS TIME SPENT TEACHING

Senator CHILES. Well, some people are saying that we are actually testing students too much. We are spending too much time monitoring the testing scores. It takes away from the time we spend trying to teach them.

Secretary BENNETT. There is always that worry. While giving tests their due, we should not become test ridden. One of the problems I think we have is that we have so many tests floating around that in some situations you will see people giving one kind of test and if the results look too good, they will give another kind of test. I think it would be better to have a kind of uniformity and reliability of tests which would give us reliable information over time, and second, a good basis for comparison.

The need for assessment is there. I think that the pedagogical truth is that if students are learning well in the classroom and are being taught the right way, that is the best preparation for the test. We certainly do not want to get into test mania.

I think it is fair to say, Mr. Chairman, that the education reform movement, if we can call it that, which began 6, 7, 8 years ago, this great interest in reforming American education, started as a movement concerned with results, concerned with test scores, and concerned with assessment. I think it remains so to this day. I think it is fair to ask, after *x* amount of money has been spent, *x* amount of time and change, what are the results? The test results are only one result, but they are an important indicator.

TEACHER AND ADMINISTRATOR ACCOUNTABILITY REFORM

Senator CHILES. Your new report on school reform calls for greater accountability on the part of teachers and administrators. Since the release of your report, you have been outspoken in your criticism of teachers in their unions, saying that they are the primary obstacle to further advances in school reform. I wonder if you are aware that in Dade County we have a new experiment in school reform that has gotten a lot of publicity. The project involves giving teachers and principals greater control over their budget and curriculum. In return, they are held accountable for their achievements with the full support of the union in this instance. In fact, the union voluntarily reopened its contract agreement to make this happen.

Here we have an example of teachers and unions taking the lead in reform. Do you really believe that teachers just want the status quo for our schools, or is it a question of having a quid pro quo in this?

Secretary BENNETT. Right. No; I do not. I believe differently from that. I know that situation in Dade County; I think it is a good idea. I am delighted to see it develop there. Not to appear ingratiating, there are a number of good ideas across the country, many of them in the South. South Carolina has a number of very good ideas. Florida has a number of good ideas. The accountability and success of Duval County in this whole area is clear, and I think it is one of the best school districts in the country. We think what is going on in Dade County is sensible as well.

TEACHERS UNIONS AND EDUCATIONAL REFORM

My argument is not really with the teachers so much as with the heads and the leadership of a couple of the teacher unions. I do not have much problem with the congregation. I do think the ministers need inspiration from time to time. I get along with teachers. I was just in two schools with two groups of teachers. There were no problems there. When the union heads and I get together, we often disagree. I think that is all right. I think there are many American teachers out there doing a fine job and my congratulations are to them.

However, I am concerned about the resistance that many of the teacher unions have shown to educational reform and to sound measures for educational reform in the States. We have observed that when Governors and State legislatures introduce such reforms, whether they be Republicans or Democrats, often the result is the same. They are obstructed or blocked by the teacher organizations. I think when they, the teacher organizations, do that they are not acting in the best interests of education and they are not acting in the best interests of their members. That is where my argument is.

MINORITY HIGH SCHOOL GRADUATION AND COLLEGE ENROLLMENT

Senator CHILES. College enrollments for black high school students fell from 33.5 percent in 1976 to 26.1 percent in 1985. The data for 1986 shows some improvement, but generally speaking the gap between the blacks who graduate from high school and those who go on to college seems to be widening.

PELL GRANT 1989 BUDGET REQUEST

In the context of trying to help minorities and the poor attend college, I am pleased to see your proposal to increase the Pell Grant Program by $750.6 million. I am troubled to see your proposal to tilt the distribution away from the poor students. More specifically, the Department's Pell grant request would eliminate nonliquid assets from the formula used to calculate expected family contributions. That would increase the program cost by $266 million, but tend to tilt the distribution of funds away from the poorest students.

From a policy perspective, why do we want to redistribute Pell grants away from the bottom end of the scale?

Secretary BENNETT. Mr. Chairman, I am joined by Under Secretary Linus Wright and Deputy Under Secretary Carnes. I think I will ask Dr. Carnes to respond to that.

MINORITY HIGH SCHOOL GRADUATION AND COLLEGE ENROLLMENT

Dr. CARNES. I think basically, Mr. Chairman, you asked a two-part question there. Let me say on the first part with respect to minority enrollment, there are two sides to this story. The fact is that while enrollment of black students has gone up in recent years, it is not college level enrollment at its all time high, but it is within 30,000 students of its all time high.

In addition, there are many, many black students who are in proprietary institutions, which is a topic I presume we will get into later. So, if you factor them in, and indeed, since they are eligible for student aid you have to, black enrollment in postsecondary education is considerably up.

High school graduation rates for black students are also up significantly over the last 15 years. Formerly, in looking at the percentage of black high school graduates who were going on to postsecondary schools, there were many students who were high school dropouts and never figured into the computation. As a result, since these students are now graduating and not dropping out of high school, the percent of those graduates going on to college has decreased. As I said, formerly many of these students had not even finished high school.

So, on the one hand, we have a good story there insofar as we are seeing that more and more black students are finishing high school. We are not getting enough of them to college yet; we need to look at that.

PELL BUDGET REQUEST—ELIMINATION OF NONLIQUID ASSETS

As to the elimination of nonliquid assets, our proposal is designed for a couple of purposes. Let me assure you that one of the things we want to make certain of is that nobody's award is less as a result of this proposal than it would be if we did not eliminate nonliquid assets. In other words, no one will lose money under this proposal. Everyone will have his award at least as high as it would have been with nonliquid assets, or possibly his award will go up.

The problem with nonliquid assets being included is, first off, this is one of the single biggest sources of error in the awarding of student aid. The estimates of the value of nonliquid assets are very difficult to make. When we do studies of how financial aid money is awarded, we find that asset reporting is one of the biggest areas where we have mistakes, and, as a result, awards do not go to students as they properly should.

In addition, there are certain equity questions about the assets of people in rural areas, particularly farmers, also small business people, whose assets are heavily taxed in this formula and, in a sense, taxed twice. We think the elimination of nonliquid assets will both reduce the reporting errors and achieve a greater accuracy in the award of student aid and, at the same time, will ensure more equitable treatment of farm families, as well as small business people.

Senator CHILES. Senator Weicker?

DEPARTMENT PUBLICATION—"AMERICAN EDUCATION: MAKING IT WORK"

Senator WEICKER. Thank you very much, Mr. Chairman. Mr. Secretary, just recently during the White House ceremony, you released the Department's latest publication, "American Education: Making it Work," 5 years after the release of Secretary Bell's highly acclaimed "A Nation at Risk." One is struck by many aspects of your booklet such as its strong criticism of virtually every aspect of the education establishment and its complete lack of any mention of a Federal role in education, positive investments made, et cetera.

EDUCATION FUNDING AND RATE OF RETURN ON INVESTMENT

In terms of funding for education, you state that this year the United States will spend about $309 billion on education. Just so that we can break that down for purposes of this question, roughly $20 billion is the Federal share of that; the rest of that is State and local.

You go on to say, "* * * in truth, we are spending enough on education to do the job well. The trouble is not our level of investment, rather it is the low rate of return we get for it." Let me ask you first off, when you make that statement, are you referring to the $20 billion Federal share, or the remaining share as it applies to local and State governments? Or are you talking about Federal, State, and local in that observation?

Secretary BENNETT. I am talking about the total figure, though one could disaggregate and say that for various pieces of it we are not getting as much return as we should,.

Senator WEICKER. Well then, let us stay at the Federal level; let us talk about the $20 billion.

Secretary BENNETT. OK.

Senator WEICKER. Am I correct when I say that we are providing only 8 percent of the cost associated with educating the handicapped instead of the mandated 40 percent. Is that correct?

Secretary BENNETT. Yes, sir; it is the mandated ceiling. Yes, sir.

Senator WEICKER. Yes; so that you are stating that our trouble is not our level of investment, rather it is the low rate of return we get for it. It is a real problem of the level of investment, is there not?

Secretary BENNETT. Yes, there is. I think, as I have said a number of times, if we are looking at cost effectiveness, education of the handicapped is probably, as I have said a number of times, an education success story, an American success story. I think that is money very well spent. I am not sure one can say the same thing about other areas.

Senator WEICKER. Right, well I am just trying to restrict myself to the Federal role here since that is the duty of this appropriations subcommittee.

Secretary BENNETT. Yes, sir.

CHAPTER 1—PERCENT OF ELIGIBLE POPULATION SERVED

Senator WEICKER. Now under chapter 1, the education of the economically disadvantaged child, which is another Federal role, we are serving less than 50 percent of those found eligible. Is that a correct statement?

Dr. CARNES. The States are actually providing services to approximately that percentage of individuals who are counted under the poverty formula for distributing the funds. I might just add, that count generates a figure of approximately 8 million formula-eligible children, of whom approximately 2 million are reading and performing mathematics at or above grade level. So the count is not necessarily an indicator that all of those students, just because they are from low-income families, are unable to perform at or above grade level. Indeed, over 2 million of them do.

Senator WEICKER. If I may, Mr. Secretary, refer to your own document, page 21. As I understand it, you have always been a great advocate of title I. This has been a Federal program which you think is valuable.

Secretary BENNETT. Right, but it would be more valuable with better targeting, more accountability and so on.

Senator WEICKER. Of the lowest achieving elementary students, those scoring below the 25th percentile in standardized tests enrolled in title I schools, about 40 percent received services under title I. That is a big deficiency there, the way I read your own budget document.

EDUCATION FUNDING AND RATE OF RETURN ON INVESTMENT

Secretary BENNETT. Well, the only point that I am trying to make here, without getting into anything other than funding level, is again to refer to the trouble as not our level of investment, but rather the lower rate of return. Our level of investment, it would seem to me under these circumstances, seems to be somewhat in the shortfall when compared to those that we are not serving.

Dr. CARNES. Well, Senator, if I could just respond to that for a second. The point I believe we are trying to make with that statement is that this is as much a function of targeting the resources as it is of the level of resources when the resources are spread very widely and thinly across the Nation. One of the things we proposed in our reauthorization is that chapter 1 be targeted better on lower income and more educationally disadvantaged students.

PUBLIC LAW 100-297 AUTHORIZATION OF CONCENTRATION GRANTS

Now the recent enactment of H.R. 5 indeed makes some progress in that direction and provides for concentration grants. I think that will help alleviate the problem. There is still a way to go in improving the targeting so that indeed you do make sure that you hit all those kids, that you pick them up and they are served. Right now the States, and the localities have the discretion not to serve those kids.

EDUCATION FUNDING AND RATE OF RETURN ON INVESTMENT

Senator WEICKER. Mr. Secretary, for every 1 person served in vocational rehabilitations, 20 are waiting to be served. Would that not indicate a problem with the level of investment?

Secretary BENNETT. Are you talking about vocational education?

Senator WEICKER. No.

Secretary BENNETT. Vocational rehabilitation?

Senator WEICKER. Vocational rehabilitation.

Secretary BENNETT. It might. Yes, sir.

Senator WEICKER. Last, the literacy and adult education programs are grossly inadequate, would you not agree, to meet the demand of the problems raised in those areas?

Secretary BENNETT. Again, I think there are a couple of questions here, Senator. We can debate the area of chapter 1 and our other areas regarding the targeting, whether we are getting the money to the right people.

The larger point about the expenditure and the result is the concern that a lot of the money we spend, and I think you will agree with me that this is substantial money, is not spent well, is not spent effectively. Quite apart from which population you are serving, part of the question is whether the Federal dollars are doing their job.

As you know, we have had a number of reviews of chapter 1. As you point out correctly, it is a favorite program with us. It would be a more favorite program if it were more effective. Some of the money that is spent just is not doing the job.

Senator WEICKER. Well, the point that I am trying to make is that the Federal role really is in the main, outside of higher education. Outside of higher education, I have now really reviewed the principal four areas of Federal involvement. Indeed, I could probably restrict it to three: Vocational rehabilitation, special education, and chapter 1. That is the bulk of the Federal money outside of higher education funding. As I gather from your own comments either today or in the past, these programs have been uniquely successful. They are success stories: chapter 1, vocational rehabilitation, and special education.

I have to wonder what it is that you are talking about as it applies to the Federal Government's role in education when indeed that is a very narrow role. Only 6 percent of that $309 billion that you toss out there is Federal money. Then when you evaluate that 6 percent, you are agreeing that these are critical programs one, but No. 2, they have also worked. So why the criticism in those areas?

Secretary BENNETT. Well, it is a mixed record. I would say that generally, as I distinguished earlier, there is a better record for education of the handicapped than in chapter 1; I think the evidence will show that. You can separate out, for purposes of analysis, the Federal contribution from the other contribution. The fact remains the same; we still do spend $308 to $310 billion. That is a lot of money, and we are not getting all of the value for the money in many areas. That is true across the board.

DEPARTMENT ROLE IN FUNDING AND ASSURING RETURN ON INVESTMENT

Senator WEICKER. But again, I have to repeat, that really is a determination for other branches of Government, those that are charged, if you will, both with raising the money, spending the money, directing the money, et cetera. I have to come back to your role in all of this, which is in a very narrow area and yet that has been a narrow area where success has been achieved. Yet you choose to go ahead and lump that into a $309 billion condemnation of the entire system. I do not understand that.

Secretary BENNETT. Well, it is not a wholesale condemnation.

Senator WEICKER. Are you speaking for the State of Connecticut, and let us say, the town of Greenwich education system now?

Secretary BENNETT. No.

Senator WEICKER. Or are you going ahead and speaking for the U.S. Government, the Federal role?

Secretary BENNETT. I am speaking for the United States of America.

Senator WEICKER. State by State and community by community?

Secretary BENNETT. Yes; in general. I am supposed to, in addition to administering these programs, Senator, as you know, I am supposed to report to the Nation on the state of educational quality, and I am doing it.

Senator WEICKER. I suppose the difficulty that I have is that in the course of your tenure, you have chosen to go ahead, up until this year's budget, and ravage these programs that are Federal programs that do work. It seems to me that you should have had your hands full in this area, rather than worrying about what other people are or are not doing. I do not understand that.

You mentioned in passing, for example, when I mentioned vocational rehabilitation, you asked me if it was vocational education and I said no. The reason I did not bring up vocational education is that you asked for zero funding on that program. I did not want to get into another area.

Secretary BENNETT. That was nice of you. Thank you. Let me see. What is the question? Why do we choose to talk about things in general?

Senator WEICKER. Why do you not concentrate on what was your responsibility?

Secretary BENNETT. This is my responsibility. I have several responsibilities, but I think we have taken our Federal responsibility seriously. We have disagreed. I have disagreed. I have disagreed and others have disagreed.

Senator WEICKER. I have no problem with our disagreeing on Federal policy. What I have a difficulty in understanding is the preoccupation with everybody else's business while you are not doing your own.

Secretary BENNETT. Oh, no. I am doing my own. The thing that happened, Senator, is that in fact the Federal role is very much seen as part of a more national role. I think that is entirely appropriate.

The bottom line is not how much the Federal Government spends. The bottom line is what comes out in the end. Are our kids doing better? Are they learning more? That is the bottom line. To look at that, you have to look at all the contributions. Obviously, you have to look at the other factors, State and local contributions, so that you can best target what the Federal role should be.

There is an inescapable fact, Senator. As you know, I have spent a lot of time visiting schools. The best Federal program, and I know you know this, is a program that is most intelligently deployed at the local level. We can send out the checks, and they can be larger or smaller as we disagree, but it is the people who cash them and what they do with that money that makes the difference.

I visited a chapter 1 program in Florida last week. It is one of the best chapter 1 programs I have ever seen. I wish they could all be like that, but they are not. You could triple the size of chapter 1. But, if the people who are administering that program are not doing the sorts of things I saw being done at Azalea Park Elementary School, it is not going to make things any better.

Senator WEICKER. I have one question to go along with this and then I will defer, but I do have other questions I want to ask.

LITERACY PROGRAMS—FEDERAL ROLE GIVEN PROPOSED BUDGET DECREASES

In this area I mention the literacy programs and I suppose I again have to ask about the Department's commitment as this is clearly a Federal role. What is the Department's commitment to addressing the illiteracy crisis facing the Nation when recent estimates indicate that as many as 27 million adult Americans are functionally illiterate? In this proposed budget of yours, where you add $32 million to adult education programs, you eliminate the literacy training for homeless adults funded at $7.2 million in 1988. You eliminate workplace literacy partnerships funded at $9.6 million in 1988. You eliminate library literacy programs funded at $4.8 million in 1988. The Action Literacy Corps is not in your budget, but is eliminated also. Your budget reduces other library programs by some $54 million. I really have to ask again as to what the Federal commitment is relative to the illiteracy problem?

Secretary BENNETT. It is there. I will ask Dr. Carnes to explain how other programs are compensating in this area.

Dr. CARNES. In the case of the Workplace Literacy Program, this is the first year that program has been funded. We think that a better way to fund it is to give the States more discretion rather than to have a categorical program. The increase that we are proposing for adult education and adult literacy more than offsets the reduction in the Workplace Literacy Program. The Workplace Literacy Program can continue to go on. We expect that this activity will continue to go on at the State's discretion. That is the same issue with respect to literacy training for the homeless.

LIBRARY AND LITERACY PROGRAMS REQUEST

Again, what we are trying to do here with the library program is to request money and target that money on low-income and disadvantaged people. Right now that program is not targeted that way; it provides general operational support. We feel that Federal funding for this activity ought to be pushed in the direction of the low income and disadvantaged, indeed for the very purpose of providing the kind of literacy training you are talking about.

We envision a whole restructuring of the current effort in Federal library programs away from general operational support. Those programs have by and large been one of the big success stories in achieving their stated objective. They have done that. Now we think that the Federal presence ought to be pushed more toward providing literacy training, focused on services for the disadvantaged.

Senator WEICKER. Let us assume for a minute the fact that the $32 million is adequate and I am going to have a question on that; $32 million less, just on the homeless adults, the workplace, and the library, that would be $13 to $20 million. So it is about $21 million, really an $11 million add-on there; the others are being eliminated.

Do you really feel that if the problem is, as I think both you and I agree, that 27 million adults are functionally illiterate, that these kinds of moneys that we are talking about are inadequate for the problem, even assuming your premise that you cannot just solve the problem with money; 27 million functionally illiterate adults is a large number. We are really talking about a small pittance here as far as the Federal effort is concerned.

Let us say, that we eliminated all of these programs altogether and really wanted to come at that problem in a targeted way. Would you not just guess, even if you do not have the additional facts on tap, that it is going to be more than a $30 million problem? For 27 million adults?

Secretary BENNETT. One could always spend more money. It is a question of trying to adequately live within our means. I think that, given the efforts again of other parties here, State and local sources, a lot of volunteerism in this area, I think we can make a good dent on this problem. We know a lot more about this issue than we did before. I think this, given all circumstances, is a reasonable contribution. Yes sir.

Senator CHILES. Senator Burdick.

JAMESTOWN COLLEGE—FEDERAL LOAN PREPAYMENT PROGRAM

Senator BURDICK. Today, I would like to call your attention to one of the specific issues which warrants your consideration. I will express my concern to you regarding a particular school in North Dakota which had been seeking assistance from the Department of Education.

As background, this school, Jamestown College, is the oldest private college in North Dakota. It is one of only two private colleges in my State. Jamestown College has been dealing with your staff members in the Institutional Receivables Branch Office of Postsecondary Education in an attempt to prepay its outstanding loans to the Federal Government. This college holds four loans in current status and one in defaulted status.

In October, Jamestown College was informed that it could repay all of these loans at a discount. The college subsequently prepared a proposal in which it documented the fact that its prepayment offer was similar to those which had been offered to comparable institutions, to other colleges where settlement had been reached.

Furthermore, Secretary Bennett, you have great latitude in negotiating the settlements. I would like you to use your authority to personally look into the way this case has been handled, and assist in seeing that your Department negotiates a fair settlement with Jamestown College.

Secretary BENNETT. I can certainly take a look at it, sir. Do you know anything about this, Dr. Carnes?

Dr. CARNES. I am not aware of this one, Senator Burdick. We will take a look at it and try to get back to you in the next day or so on the issue there. I think I heard you say they were trying to negotiate prepayments or repayments?

Senator BURDICK. Prepayments.

Dr. CARNES. The prepayment program was in operation just during fiscal year 1987, so we will have to take a look and see what the situation is. We will get back to you on that.

Senator BURDICK. We think the offer is a fair value; it is probably as much as can be secured under liquidation.

Dr. CARNES. I believe that is probably true. I am not certain whether we have the legal authority to do the prepayment program in 1988; that is why we ran it just in 1987. And from then we are just doing actual sales of loans. As I said, I will look into it and get back to you.

Senator BURDICK. Of course, on one loan, it is not prepayment. One loan is already in default.

Dr. CARNES. Yes.

Senator BURDICK. If you could look into it, I would appreciate it.

Dr. CARNES. We will, sir.

Senator CHILES. Senator Domenici.

ROLE OF PRINCIPAL IN SCHOOL EFFECTIVENESS

Senator DOMENICI. Thank you, Mr. Chairman. Mr. Secretary, you indicated this was going to be your last appearance before this subcommittee. Would you go through a couple of things with me.

How many schools, talking about kindergarten through grade 12, do you estimate you have visited in your tenure as Secretary?

Secretary BENNETT. One hundred. This is my 100th school, or maybe 99th school. We are not sure; we are doing a recount on Thursday in Florida.

Senator DOMENICI. Mr. Secretary, I read a little bit of your conclusions early in your tenure where you drew the conclusion that, as a former teacher, I was not surprised to hear. The dramatic emphasis you put on it said something to me that is very important about public education. You made a statement that, more than any other single fact, if you find a school with a superb principal, who has had a reasonable tenure at a school, that fact alone is more apt to yield a superb school and superb students than any of the other factors that you put into a school. Is that correct?

Secretary BENNETT. Yes; obviously a good school is a function of a number of factors. When I have been asked if time is limited and you can only look at one issue, or you need to know where to look first in a school in terms of assessing whether it is going to be effective or not, I say look to the principal's office. Yes, sir.

SUPERINTENDENT'S IMPACT ON SCHOOL EFFECTIVENESS

Senator DOMENICI. What have you found out in America's hinterland with reference to what local school districts and superintendents of schools are doing about that fact?

Secretary BENNETT. It varies dramatically. It is interesting to note that in many of the districts where you have a significant record of success in the entire district, in my travels and findings, what you discover is a superintendent or a central office that pays very close attention to the hiring of principals.

In the county I referred to earlier, Duval County, FL, which I think is really one of the very impressive districts in America, the superintendent there, Mr. Sang, tells me that he spends most of his time hiring principals and reviewing what his principals are doing, thus giving support to this notion about the importance of the principal. The same is true in Columbia, MO, which has a very strong district.

Superintendents can get bogged down in paperwork and there sure is a lot of paperwork for them to handle. We give them a lot to handle and they get a lot out of their own States and local districts. Good superintendents recognize that their main job is to put the right people into running the schools. The research will bear me out on this.

Senator DOMENICI. I do not want to, nor do I think you intend to make the issue of America's shortcomings in public education simplistic. There is no single solution.

Secretary BENNETT. No.

Senator DOMENICI. It is very complex.

Secretary BENNETT. Right.

Senator DOMENICI. I was very impressed with that notion and have now, in my own State, so you will know, visited about 14 schools in the last 4 or 5 months. Let me just add to your accumulation of general knowledge. I am sure when you write your book you will be far more specific. I rated them. The two schools that were absolutely superior, I concluded, had the most superior principals in charge of the schools.

Secretary BENNETT. Yes; yes, we could make an interesting survey out of this. Between you and me and other people who were visiting schools, and Presidential candidates who were visiting schools, we may visit every school in America before too long and thus have a totally reliable statistical survey on what works.

Senator DOMENICI. Assuming we all share the information.

Secretary BENNETT. Yes, sir; that is right.

SECRETARY'S PERCEPTION OF MAJOR PROBLEM IN AMERICAN EDUCATION

Senator DOMENICI. Mr. Secretary, a general question again, since this is your last appearance here. It has now been alluded to that, while we talk a lot about our Federal role, and I understand Senator Weicker's questions about our programs and their effectiveness, the truth of the matter is that somewhere between 92 and 93 percent of all the funding for public schools is not Federal funding.

Secretary BENNETT. That is correct.

Senator DOMENICI. Many of us when we talk to our constituents, have to start with that premise because they read so much about the Federal Government in education, they assume we are paying an awful lot of the day-to-day costs. Quite to the contrary, we are focused in very few areas.

Secretary BENNETT. That is right.

Senator DOMENICI. So I think it is fair to conclude that most of the money, direction, supervision, and control is coming at the local level. State legislators in school districts have a lot more to say about the quality of education than we do.

Having said that, when I voted to establish your Department, I remember saying that in addition to managing the Federal programs, I would hope that from time to time there would be a national spokesman talking about the broad problems of education in America. I quite agree with you that this is your role.

In that context, could you briefly share with us your current assessment? What is the principal, or most significant problem with public education in the United States today? Do you have one, two, or three that you could share with this subcommittee? I would personally like to hear it; I assume it would be relevant to the subcommittee's work.

LACK OF ACCOUNTABILITY IS SINGLE BIGGEST PROBLEM

Secretary BENNETT. I can limit it to one and it covers a number of things. Probably the most serious deficiency in the American educational system is the lack of accountability. By accountability, I mean if you tend to do a good job by students, or for students, rarely within the confines of the system, does anything happen to you or for you. If you do a poor job, as a teacher, or principal, or superintendent, again, rarely does anything happen to you, or for you. That is not good. That is not a good lesson.

Acts do not seem to have consequences. The people who are superb in the classroom or superb in the principal's office are compensated no more, and get no more recognition unless someone intervenes from the outside, than do people who cut every corner in the classroom or cut every corner in the principal's office.

We need to have accountability. We need to do what South Carolina and some other States have done, which is to institute some principles of accountability so that people know what they are there for, which is to educate children. We need to put some incentives in the system, both kinds of incentives, for awarding people who are doing a good job, and not rewarding people who are not doing a good job. Accountability is the single biggest problem. We have it in other areas. If you serve up a bad hamburger in our society, and you own a restaurant, you will have State and local and Federal authorities down your throat so fast you will not know what hit you. You can serve a rotten education to 5,000 students, year after year after year, as is being done in some areas of this country, and I can take you to them, and nothing happens. That is the problem.

Senator DOMENICI. Let me turn it the other way and ask about American students for a moment. It appears to me that you might be right in what you just said; as a matter of fact, I am growing more convinced that you are. I also have a notion that American students are taking education much more for granted, because it is theirs almost for the asking, than are students in some of the countries that are doing better than we are. It appears that there is a casual attitude that education is not important; it is not necessary; if I can get by, OK. Is that a function of the accountability of the school, or is there something in addition to that, Mr. Secretary, that is involved in that premise? If it has any merit, I personally believe it is a significant problem.

Secretary BENNETT. It is partly a function of the school, and I think it is partly a function of the other adults who come in contact with the young person.

STUDENTS PERFORM TO LEVEL OF OTHERS' EXPECTATIONS

One of the things you find in the educational research that is pretty much universal, pretty much an international matter, is that young people tend to rise to the level of expectations of them. I do not think you can expect, naturally, all 9 year olds or all 10 year olds to be interested in school. What you can expect is for adults to stress to them the importance of school and thus to raise that level of expectation. When we see high expectations on the part of school people, principals, and teachers, even in the poorest and most disadvantaged areas, we very often see results.

EMPHASIZING THE IMPORTANCE OF EDUCATION

The responsibility for taking school seriously in the end is the young person's. In the first instance, it is our responsibility to send the message that this is to be taken seriously. If we are casual about it, if we are diffident about it, or if we are indifferent about it, young people will go off on another path, usually the path of least resistance. So it is our job to emphasize, over and over again, the importance of school. When you see it, you see results.

MR. JAIME ESCALANTE—BARRIO HIGH SCHOOL CALCULUS TEACHER

If I can give one example. There is a movie that is out, "Stand and Deliver," about this teacher, Mr. Jaime Escalante, in Los Angeles. He went to a low-income high school with Mexican-American kids who were very poor and disadvantaged. He said he wanted to teach them calculus. He was scoffed at. The students scoffed at him; that is not surprising. That happens from time to time. What was shocking or disturbing was that other teachers and counselors scoffed at him. They said he could not do it here. These kids were too poor, their background, et cetera. "And besides, they are 15 years old and it is all over; we know it is all over by 15."

ESCALANTE'S SUCCESS IN MOTIVATING BARRIO STUDENTS

He rejected that advice, steamed ahead and did it. The first year he got 14 or 16 students taking AP calculus, going on to college. This year 142 students, I think it is, or 148 students at this poor, low-income, inner city high school will take the AP calculus examination and go on to college. I visited the school and every hand went up when I asked who was going to college.

This man, with the support of his principal, did a great deal. What bothered me in the story was not the fact that the students resisted. In the movie, Mr. Escalante, and this is much like the classroom itself, says to one of the students, "Do you want to study calculus?" The boy says, "No, I want to see my girlfriend." Or "I want to ride around in my car." That is not a shocking response for a 15 year old. We do not expect 15 year olds to say, "Yes, I want to study calculus. I am interested in the vita contemplative. I want to explore the eternal truths of the universe." Heck, that is not the way 15 year olds are built. Life would be less interesting if they were built that way.

We are supposed to get adults to say—like Mr. Escalante said to this young man—"If you don't want to study calculus then you'd better get down to woodworking and make yourself a shoeshine kit because you are going to need to make a living. Now do you want to go to college and get a good job with a good income, or do you want to make a shoeshine kit?"

ESCALANTE'S SUCCESS DESPITE TEACHER/COUNSELOR RESISTANCE

The disturbing part again, was not the 15 year old. The disturbing part to me was some counselors and teachers who said to Mr. Escalante, "Don't do this. This will be too hard. The kids will burn themselves out and they will become frustrated with their inability to do this." Mr. Escalante said to me, in language I will not repeat, I will clean it up here. He said, "You know, Mr. Secretary, there are a lot of dangers in the barrio of Los Angeles to kids, and calculus is not one of the most serious dangers they are facing. I think I will take the risk that they will burn themselves out on calculus rather than on other things."

The point of the story is the extraordinary efforts to which this man had to go to resist not just the kids, but a large part of the system which surrounded him. The skepticism did not just come from the young people. The skepticism came from other adults. That is the tragedy. I am sorry to be long-winded, but I think it is a very important point on the question you asked.

Senator DOMENICI. Is Escalante still there?

Secretary BENNETT. Yes, sir; he has never been nominated to be teacher of the year, however. He is probably the finest teacher in the United States of America. He is still there. Yes, sir.

Senator DOMENICI. Has he had any more heart attacks?

Secretary BENNETT. No; he is doing fine. He is becoming famous. He does not know quite what to do with that. He was in town for this ceremony, and he was invited to stay for the state dinner at the White House, but he turned them down on the grounds that he had to go back and teach calculus to his kids. He may be one of the most impressive human beings you will ever meet.

Senator DOMENICI. Could I move to two other areas quickly?

Secretary BENNETT. Yes, sir.

DRUGS IN THE SCHOOLS

Senator DOMENICI. Drugs in the schools. We have a program we are starting to help the schools with programs that will enlighten children about the evils of drugs. Do you have any advice on the Federal Government's role on this front? How can we best help?

In my opinion, we cannot only pick up the crooks and put them in jail. We have to sooner or later get to a generation of young kids, the overwhelming proportion of whom will say no in a very real sense. They say no; drugs are not good, and they resist the pressure. Can we do that? How should we be helpful at the national level?

Secretary Bennett. We can do it but it means working on all fronts. This is a war and we have to work on all fronts, Senator. I think if we focus on the schools, I have a couple of things to say. If there has been any success anywhere in the war against drugs, it has been in the schools, not victory by any means, but drug use among students in high schools is down. It is down for all drugs except for crack, which is holding steady at 16 or 17 percent of all high school seniors. This is by no means victory, but we have made some educational advances in the schools.

DEPARTMENT PUBLICATION—"SCHOOLS WITHOUT DRUGS"

We still think very well of our book, "Schools Without Drugs." People out in the field also think very well of it. They regard it as a state-of-the-art report in terms of what to do.

There is no substitute for good school policies. Drug education programs can be helpful, but they must be backed up by sound school policy. That means firm policy and tough policy. It is not enough simply to be working in the schools. We also have to be working in the communities with law enforcement agencies and probably more prosecutors, probably more prisons and I think, more efforts at the international level.

Analogous to the last question you asked Senator about the drug program, is the many dimensions of it and how much we can ask of young people. I think we should exhort young people not to use drugs. I think we should use the best educational programs. We should spend the $250 million we are spending in a way that makes schools accountable for results.

There are certain kinds of things from which we have to protect young people. When you hear the reports, and we have heard it more than once, of the 14-year-old kid who says, I'm told in the drug education course not to take drugs. I'm told I will be punished if I do. But I can make $1,000 a day selling drugs, or $500 a day standing guard for people who do sell drugs. This is a very tough thing. How much more courage can we expect from your average 14 year old on this issue when he sees the possibility of $150,000 a year for being a pusher? This is more money than he can ever dream of earning by going to school. We have to protect young people from that kind of situation. That is why we need to work on all fronts.

As you know, I have said we need to consider greater, broader use of the military, more efforts at interdiction right down into the community. One of the reasons for looking at it in terms of the military and the international dimension is, if we are going to get tough and crack down on 15 and 16 year olds and casual users, which in some cases we should, the American people are going to want to know that we are being as tough as possible too on the people who are supplying these drugs. I do not have an easy answer for you, Senator. This is a war and we are not winning it. We have got to renew our efforts.

EDUCATION OF MINORITIES

Senator DOMENICI. My last question has to do with minorities.

Secretary BENNETT. Yes, sir.

Senator DOMENICI. We are all aware of the demographics in terms of the proportion of our graduating classes in 10 or 15 years that are going to be minorities, principally Hispanics and blacks.

Secretary BENNETT. Yes, sir.

MINORITY STUDENT EDUCATION AND THE CHANGING JOB MARKET

Senator DOMENICI. We are fully aware that this society requires much better trained individuals because of the dramatically changing times. The jobs are no longer there where you can walk out of a high school class, go down the street, go to U.S. Steel, work for 40 years, and retire. Some people think those were the good old days; I am not so sure they were so good. Whether or not they were, they are gone.

Young kids are going to have to come out of school with a basic education, including some competency in basic things like math, reading, and science. Let me ask, so long as we are talking about what we ought to be doing, what can we do about this aspect of our current deficiency? When you look at the numbers, those most in need of help in education are the group that we are going to need most in the American marketplace.

We are going to be a totally different marketplace in 10 years. We are going to be looking for good working men and women to fill good jobs. It is not going to be the America of 20 years ago. We are going to be worker-short, in my opinion. It is right around the corner. What is your recommendation regarding minorities and inner city young people who are not getting as good an education as they should? As poorly as we are doing as a nation, their situation is worse. What do you say? What do you tell us we ought to be doing about that?

Secretary BENNETT. We talked about that in the last report. I think we will still stick with what we said in our book, "Schools That Work," which was a book that focused on the education of the poor and disadvantaged. It is not really a matter of great mystery, Senator, as to what is effective here and as to what works. We have to put into practice generally what now only exists in a few cases.

You are quite right. We will see the school population over the next 10 or 20 years become more black or brown. We will see more Asian Americans coming in. There is no reason we should throw up our hands in despair, or say that this is going to require some entirely new approach to education unknown to the American people.

We are a nation of immigrants and we always have been. Diane Ravitch's book, "The Great School War," documents how the schools of New York City successfully educated the children of immigrants coming in from all over the world. We can do this. Somewhere along the line we forgot and we stopped doing some of the things we know to be effective.

We can show you. We can take you to effective inner city schools in desperately poor circumstances where they are doing the job of making good students; these kids will become productive citizens. The problem is that there are not enough of those schools.

One of the reasons there are not enough of those schools is that there is not enough accountability. Going back to what I was saying before, a lot of turmoil has swirled around cities like Chicago and St. Louis where the record, frankly, is terrible, in terms of education. We need to apply what works. We need to do what is effective. Again, there is no great mystery here. We simply need to muster the will and the courage to do what is right. In some cases, that may mean replacing personnel, redeploying resources in different ways. It is critical that we get the job done.

EDUCATION OF THE AMERICAN INDIANS

Senator DOMENICI. Mr. Chairman, would you permit me to make one further observation regarding a minority group. Mr. Secretary, I briefly talked to you 2 weeks ago about a very disturbing study done by the Bureau of Indian Affairs. It was with reference to the one school system in the United States that the Federal Government runs, the Bureau of Indian Affairs school system. It is ours as a Nation and we run it, for the most part with few exceptions. Believe it or not, it is managed by the Bureau of Indian Affairs. The best estimate we have now is that, for the most part, it is an utter failure. To the extent that we are doing poorly, it is many niches inferior in terms of the percentile of achievement that these young Indian kids fall into. The whole Navajo Nation, with few exceptions, come under this pale. I believe it is bordering on a national disgrace.

I want to ask you, and state here in front of the chairman and Senator Weicker, and I know we have not allowed you much discretionary funding in the past, but Mr. Secretary, if we were to provide a small amount of discretionary funding with some report language, would you be willing to join with the Secretary of Indian Affairs in doing an evaluation and recommendation to the Congress as to what changes have to be made in the BIA school system to live up to a basic responsibility we have?

Secretary BENNETT. If you would like us to, Senator, I would be very pleased to do that. I would be eager to do it, in fact.

Senator DOMENICI. Mr. Chairman, I thank you very much and I will share that with you as we go through markup.

Senator CHILES. Thank you. Senator Harkin.

RURAL EDUCATION INITIATIVE

Senator HARKIN. Thank you, Mr. Chairman. Mr. Secretary. I just have two things I want to cover: One deals with rural education; and the other with an issue of concern to individuals with handicaps.

In rural education, in your February 18, 1988, statement transmitting the budget for fiscal year 1989, you state, and I quote, "The President has made education a priority for this administration and in this budget." You also quote the President as saying, "How we spend is as important as what we spend."

In the past, education and research budgeting included a small amount, $4.4 million, for a rural education initiative within the regional labs. Zero funding is requested for this initiative for fiscal year 1989. You have requested a 20-percent increase for education research and statistics, you have requested zero funding for the rural funding initiative. Why?

Secretary BENNETT. Dr. Carnes?

Dr. CARNES. Senator, this program was first funded in 1987 as an appropriation earmark. The legislative history, as we read it, makes it quite clear from both the Senate and the House Appropriations Committee reports that Congress intended this to be a 2-year initiative. Funds were again earmarked for 1988; 1987 and 1988, as we read the legislative history, is the 2-year period that was originally intended. As a result, we are not requesting funds because that is how we understand the intent of Congress for 1989.

I might also add that there are, we believe, improvements in the current H.R. 5 provisions that will also benefit people in rural areas in elementary and secondary education.

RURAL EDUCATION PROGRAM AUTHORIZED BY PUBLIC LAW 100-297

Senator HARKIN. Are you familiar with Public Law 100-297, the bill the President signed into law just 1 week or so ago?

Dr. CARNES. Sure.

Senator HARKIN. That is the Hawkins-Stafford Act. In that bill, the act authorizes $10 million for 10 rural assistance centers to work specifically with schools serving poor and educationally disadvantaged children in rural areas.

I was the sponsor of that section along with Senator Stafford. The bill was meant to fill in the gap that you just spoke about, after the 2-year funding that we had. It was meant to take that and authorize it so that then we could fund it. It authorizes $10 million a year specifically for the same programs in which we put $4.4 million the last couple of years.

The congressional intent, I think, is clear, Mr. Chairman. We intend to continue this program. It was in the authorizing legislation, went through the Senate and the House, the President signed it 1 week ago, and it authorizes $10 million a year. I guess what I am asking you is have you looked at that part of the legislation? You talk about congressional intent. I think congressional intent is clear and we want to continue funding in those rural areas.

Dr. CARNES. I guess I would respond to that this way, Senator. We did not request funding for that authority for fiscal year 1989. It is our view that these 10 regional rural centers duplicate and overlap with the activities carried out under the chapter 1 technical assistance centers. That is the basis for our budget recommendation.

Senator HARKIN. So obviously your budget came in before the law, which authorizes continued funding for rural assistance cneters, was signed by President Reagan. What you are saying is that this duplicates something?

Dr. CARNES. Yes, sir; we support a number of technical assistance centers through the chapter 1 program and we are requesting $8 million for that this year. We believe that the activities authorized under the 10 regional rural assistance centers are very similar to and supportable under the existing technical assistance centers, which we are already supporting and have supported for some time.

Senator HARKIN. Evidently both Senators and Members of the House, at least those of us from rural areas, do not agree with that. That is why we specifically provide for continued funding in the bill and fought to keep it in. There are school districts with less than 500 students that are not receiving the rural assistance services. I just wanted to make the point that this program was authorized at the $10 million level, and I am hopeful that we could continue that funding level, at least the $4.4 million, if not around $5 million that we had for the last couple of years.

HANDICAPPED PRESCHOOL INCENTIVE GRANT PROGRAM

The other question I had deals with the incentive grant program; we discussed this last year when you were up here. It is under section 619, education for the handicapped. Again, let me just recap the program for you.

Preschool grants are given out to States to encourage them to expand their preschool services for children with handicaps who are between the ages of 3 to 5. Under the law, a State receives $500 per child served in the previous year, and a bonus of $3,800 for estimated increases in the number of children served. In other words, it was an incentive bonus; you bring more kids in and we give you this big bonus.

The bonus provision was included because for fiscal years 1984, 1985, and 1986, the number of preschoolers served by the States had stayed steady at about 260,000. So we put into the law a bonus because we knew there were more kids out there who could be served.

NUMBER OF PRESCHOOL STUDENTS SERVED

The program was a success in just 1 year. The number of preschoolers served increased by over 36,000. This was 10,000 more than what we had estimated. The States kept their part of the bargain. They went out and found the children with disabilities who were between the ages of 3 and 5 and they brought them into the program.

Mr. Secretary, you propose that we spend $205.1 million for this preschool grant; it is a 2-percent increase over the previous year. How did you arrive at that figure of 2 percent?

Dr. CARNES. We are requesting funds for bonus payments this year. That is our proposal in our 1989 budget.

Senator HARKIN. To whom? To how many?

ANTICIPATED PRESCHOOL STUDENT COUNT INCREASES

Dr. CARNES. We reviewed the estimates we have received from States for fiscal year 1988 and concluded that an additional 12,000 students is a reasonable estimate of growth for fiscal year 1989. As a result, we used that estimate in computing the additional funds that we would provide for that program. We are providing for bonus payments, and we are basing the amount that is requested on our analysis of estimates from the States of the additional children who would be served.

Senator HARKIN. I am going to ask you to supply that for the record. Mr. Chairman, I have a letter here which is dated May 9 from the National Association of State Directors of Special Education. On page 2, they say, and I will just read you the pertinent sentence, "Based upon our information for States, NASDSE predicts the growth in year three to be at least 30,000 new children." Where do you get the 12,000?

Dr. CARNES. I will have to supply the source of our estimates for the record, but our budget estimate includes the fully authorized maximum of $500 per child for 1989. That is the maximum authorized for an anticipated total number of children of 317,000 served plus $3,800 per child for 12,000 additional children that we estimate will be served by the States.

I will be happy to work with your staff and discuss that letter with them as well as where they are getting their estimates and where we are getting our estimates.

[The information follows:]

SOURCE OF PRESCHOOL ESTIMATES

Our estimate that 12,000 additional handicapped preschoolers, who were not counted on December 1, 1988, will be served by December 1, 1989, derives from an analysis we undertook to determine, to the extent possible, the total number of unserved handicapped 3 through 5 year olds. We performed this analysis in 1986 during the reauthorization of the Education of the Handicapped Act.

The base for our analysis was 260,000 children, the number of 3 through 5 year olds States reported as served on December 1, 1985. We compared the number of handicapped 3 through 5 year olds served in States that had mandates to serve this population to the number of 3 through 5 year olds in the State's general population. We then used this ratio to estimate the number of 3 through 5 year olds who were not being served in States that did not have mandates. Our analysis indicated that about 329,000 handicapped 3 through 5 year olds should be served, or 69,000 more than the 260,000 reported as served on December 1, 1985.

In the December 1, 1986, child count, upon which fiscal year 1987 awards were based, States had reported that they were serving a total of 266,000 3 through 5 year olds. Based on our analysis, this meant that 63,000 children remained unserved. We estimated that the December 1, 1987, child count, upon which fiscal year 1988 awards will be based, would increase by 21,000 3 through 5 year olds. We estimated that another 30,000 3 through 5 year olds would be counted as served in the December 1, 1988, child count, upon which fiscal year 1989 awards will be based. We estimated, therefore, that by fiscal year 1989 States would count a total of 317,000 children as served. We further estimated that States would extend services to the remaining unserved 3 through 5 year olds, an additional 12,000 children, in the 1988–89 school year. These children would be included in the December 1, 1989, child count.

The information we have received from States does not indicate that we should revise our estimates at this time. Our estimates for fiscal year 1988, for example, are very close to the actual counts we have received from States. We estimated that 287,000 children would be reported as served in fiscal year 1988. The data States have reported indicate that we undercounted by about 600 children, a difference of 0.2 percent. We projected that States would serve an additional 21,000 children by December 1, 1988. States have reported that they expect to be serving an additional 20,888 children, a difference of 112 children, or about 0.5 percent.

Because of State efforts in fiscal years 1987 and 1988 to increase the number of 3 through 5 year olds served, we think it is reasonable to expect that there will be a decline in the number of additional children States will serve in fiscal year 1989. We have received no data from States that suggest this expectation is wrong.

We believe that basing awards on estimated counts is not the best way of assisting States in serving previously unserved handicapped preschoolers. Estimated counts can be affected by a number of variables, such as unanticipated changes in population. As a result, there is always some disparity between estimated and actual counts. We believe that it would be better to base awards on the actual counts of additional preschoolers served, since this would eliminate the problems inherent in estimation and eliminate the need for later adjustments.

ANTICIPATED PRESCHOOL STUDENT COUNT INCREASE AND BUDGET REQUEST

Senator HARKIN. They say at least 30,000. Based upon what they have done in the 2 previous years, 12,000 seems awfully low.

Dr. CARNES. It may or may not be low. One of our concerns about the mechanism of the bonus is that we do anticipate that count estimates will bounce around from State to State and from year to year. It is very difficult to make good predictions.

Senator HARKIN. Excuse me for interrupting. I could understand if there were a divergence of maybe a couple of thousand, but the difference between 12,000 and 30,000 is substantial.

Dr. CARNES. We will be happy to look at that.

BUDGET SUMMIT AGREEMENT—2-PERCENT INCREASES

Senator HARKIN. Please indicate for the record where you got the number 12,000. Let me tell you Dr. Carnes, I was looking at your fiscal year 1989 budget request. I am interested in the programs for handicapped individuals, and I found something very interesting. Special education, and rehabilitative services show a 2-percent increase. Education grants to the States show a 2-percent increase. Preschool grants, the one we just talked about show a 2-percent increase. Grants for infants and families show a 2-percent increase. And here is the vocational rehabilitation with a 2-percent increase.

Every one of those has a 2-percent increase. I look at that and I say, wait a minute. It looks as though you just said we are going to increase the grants to the States for this preschool program by 2 percent. And 2 percent works out to be 12,000 kids.

Dr. CARNES. The fact is that the Special Education State Grants Program is increased 3 percent and not 2 percent.

Senator HARKIN. What?

Dr. CARNES. The big State grant program for the handicapped is increased 3 percent, not 2 percent. The preschool grants are increased 2 percent. That is just the way the arithmetic worked out.

Senator HARKIN. What came up 2 percent?

Dr. CARNES. The preschool grants. As you said, that increase is 2 percent.

Senator HARKIN. How about grants for infants and families?

Dr. CARNES. Yes; that is 2 percent as well.

Senator HARKIN. That is 2 percent. How about vocational rehabilitation?

Dr. CARNES. Two percent for vocational rehabilitation, that is correct. That is, of course, the general guideline in the budget summit agreement between Congress and the administration.

Senator HARKIN. Let me go through more. How about client assistance?

Dr. CARNES. Client assistance. Two percent.

Senator HARKIN. What is the last one? Supported employment. State grants?

Dr. CARNES. Supported employment State grants. Two percent.

Senator HARKIN. Two percent.

Dr. CARNES. I presume that if this committee wishes, they can go ahead and appropriate more money and disregard the budget summit agreement. Our overall budget itself asks for double the level provided by the budget summit agreement. We believe that in these particular areas, in the case of the grants for preschool incentive, that a 2-percent increase does get the job done.

PRESCHOOL AND STATE GRANT PROGRAMS—BUDGET REQUESTS

Senator HARKIN. Grants for preschool grants. Last year we calculated that to fully serve the States, $275 million would be needed, Mr. Chairman. Or it was $216 million; $275 million this year. I am sorry; I read the numbers wrong. $275 million this year and $216 million last year. But we compromised down to $201.1 million from $216 million.

Your request goes from $201.1 to $205.1 million.

Dr. CARNES. That is correct.

Senator HARKIN. You said there was a 3-percent increase.

Dr. CARNES. I said that the big State grant program goes up from $1.431 to $1.474 billion; that is a 3-percent increase of $42.5 billion there. The increase in preschool incentives is over $4 million and it is a 2-percent increase. It is our estimate that the overall preschool counts will begin to taper off.

Senator HARKIN. I guess the real hangup here is where you got that 12,000.

Dr. CARNES. I will be happy to discuss that with you further.

Senator HARKIN. We have basically promised the States, you bring them in and we will give you the bonus. The States have brought them in and now we are saying we are not going to give you the bonus.

Dr. CARNES. That is not true.

Senator HARKIN. You will give them the bonus for 12,000. What if they bring in 30,000?

Dr. CARNES. Senator, we are going to base the budget estimate on our analysis of the estimates of the counts we have from the States. We are not going to request additional funds for estimates that are not borne out by the information that we have from the States. That is the information we have. We will be happy to discuss it with your people.

Senator HARKIN. All right. That is the big hangup. We need to see it and we will look at your estimates.

Dr. CARNES. Certainly.

Senator HARKIN. Thank you, Mr. Chairman.

DRUG EDUCATION RESEARCH AND SCHOOL CURRICULA

Senator CHILES. Mr. Secretary, a number of studies that we have looked at indicate there is still a lot we do not know about what kind of drug education we should be giving. In your report, you say that many of the courses are of short duration and are incorporated into a health class. I know that is what a lot of the districts are doing. That seemed to be very effective. Your budget materials say you are working to assist schools in selecting drug abuse curricula. What kind of curricula are you recommending and what kind of research are we continuing to do to see that we put some meaningful information out there?

Secretary BENNETT. Dr. Carnes can supplement my answer, but in the book itself, "Schools Without Drugs," we do two things on this issue, Mr. Chairman: One, we identify some of the materials we think are useful and have been helpful to the schools; and second, we outline the kinds of principles which ought to govern drug education programs. Actually, a third thing we point out again is that those drug education materials should work hand in hand with the policy of the school.

We do not think we should go so far as to write a national or Federal drug curriculum course. We are, as you know, proscribed by Federal law from doing that, but we can identify the elements which seem to us to be effective. Those are familiar to you I know.

Among them are: "No ambiguity about drugs; drugs are dangerous; avoid courses and materials that talk about things such as responsible use;" and so on.

Senator CHILES. Well, why not write a specific course for it. Certainly we should be leading. We should be triggering.

Secretary BENNETT. Right.

CREDIBLE DRUG CURRICULA NECESSARY

Senator CHILES. What kind of research are we doing to put the information out there? One of our problems, as you know, Mr. Secretary, is that kids know a heck of a lot more about drugs than we do. When we put something out there that they clearly know is wrong, then they misbelieve everything else.

Secretary BENNETT. Right.

Senator CHILES. We have seen that happen with marijuana 10 years ago, and we have seen it happen with other drugs as well.

Secretary BENNETT. That is right. You are absolutely right. We have to be credible. We think the descriptions we give, right down to the details in our book, "Schools Without Drugs," of the drugs and what they will do are among the most accurate things available. A lot of people are using that book as curricular material which is fine with us. Again, I think the materials are clear, plus they are working with school policy. In terms of research, Bruce will have to update me on that.

DRUG EDUCATION RESEARCH

Dr. CARNES. Senator, we are developing a guide which will be available this fall for schools and LEA's to use to assist them in identifying effective drug education programs. This guide, as the Secretary has pointed out, will be based on the principles that our research has indicated to us—as we developed "Schools Without Drugs" material—are effective principles. Those will be the ones that guide the development by our group here of a curriculum guide. The guide will be available for schools to use to select curricula. There are many different ones that they can choose from. This will be a guide that will assist them in choosing effective ones. The Secretary has outlined what the fundamental principles are of that guide.

In addition, we are conducting a major study of the implementation of the drug program to see indeed whether those funds are producing results. One of the salutary provisions in H.R. 5, the Hawkins-Stafford Act, asks States to compile information and to report on drug use and the effectiveness of programs. I think that may not go as far as everybody might like, but at least it is certainly a step in the right direction. It does focus on results and how these programs are being implemented, or whether they are not effective.

Senator CHILES. I hope so, because I think we need an awful lot of information in that area.

Dr. CARNES. I agree with you.

IMMIGRATION REFUGEE EDUCATION BUDGET REQUEST

Senator CHILES. Mr. Secretary, for the first time, we see the administration is requesting funding for the Immigration Refugee Education Program. I am certainly pleased to see that. It seems to indicate the administration finally recognizes there is a Federal responsibility for assisting in the cost of educating children that we have brought here by Federal policy, or we have allowed to come here by the absence of Federal policy. It is certainly not State policy that does it.

In all of the other Federal agencies, such as the Department of Health and Human Services and the State Department, we reimburse local areas for the impact of immigrants and refugees. The President pegs that budget request to the expected number of immigrants, and somewhat to the actual cost of providing the necessary services. We know it costs about an average of $3,000 a year to educate an immigrant kid. The most the district is going to get is $240. Now that we have agreed that this is a Federal responsibility, why are we funding it at that kind of rate?

Secretary BENNETT. Bruce?

Dr. CARNES. Two things in response to that, Mr. Chairman. One, you are quite correct. We are requesting money for this program. We have had concerns about the program in the past. One of those concerns has been that the program basically just provided general operational support. It has not been targeted specifically on the provision of services to these children, these young people.

While we are requesting funding, obviously it is not in the neighborhood of $3,000 per student. At the same time, however, we are requesting that those funds be targeted on the actual provision of services to those students which it is not targeted to do right now.

Beyond that, and this has been one of our concerns with both of these programs, these students are also eligible and typically counted for services in other programs as well. They are, for instance, counted in the chapter 1 program in the derivation of child counts for the generation of funds for that program. There are other programs, including bilingual programs, where they often are counted two or three times. In point of fact, in many cases, immigrant and refugee children actually generate considerably more funds for a district than just in this particular program. There is a great deal of overlap.

Senator CHILES. Well, Mr. Carnes, I think we can set something up so that you cannot count it but one time if we are going to fund it adequately. In Dade County this year alone, the influx is running 60 percent ahead of their expectations, not to mention the tens of thousands that are now going to be legal as a result of the new immigration law. The county just passed the largest bond issue in the history of bond issues anywhere just to build enough schools to keep up with the influx.

How can that county, out of its own tax base, do this? There is just no way they can.

Dr. CARNES. I certainly agree with you.

Senator CHILES. You are not talking about Dade County or something?

Dr. CARNES. The influx of refugees and immigrants can put serious strains on particular localities. I might say I am very happy to hear that you might be willing to consider such a revision of the program. This has been one of our concerns.

Senator CHILES. You come up with something that is going to fund it adequately once, and then we will just see that we fund it once.

Dr. CARNES. You have got a deal.

Senator CHILES. But that is adequately funded once.

Dr. CARNES. We probably will disagree on that.

Senator CHILES. Well, you know, we might. If you say we have a deal and you are talking about $2,400 for a student, obviously that is not going to do it.

Dr. CARNES. I would be happy to discuss that one.

AMERICAN STUDENTS DEFICIENT IN MATH/SCIENCE SKILLS

Senator CHILES. Mr. Secretary, looking to math and science, we now see that 58 percent of the students who are earning Ph.D.'s in engineering in this country are foreigners. In the last 10 years the percentage of foreigners studying math and science in America's graduate schools has doubled.

Why is it that we have universities in this country that are the envy of the world and yet we cannot produce enough math and science in the lower grades to even keep up with the engineers that Japan, with one-half of our per capita graduating.

Secretary BENNETT. It is because we are not teaching enough of it in the lower grades, Senator. In the report we issued 2 weeks ago, we used as a baseline "The Nation at Risk" recommendations in 1983 that every high school graduate should have 4 years of English, 3 years of math, 3 years of science, and 3 years of social studies.

In 1982, about 13.5 percent of our high school seniors would have satisfied that. In 1987, 5 years later, it is up to 30 percent. We think that is a good thing. But, still 70 percent of our students are not there.

Your State, Florida, was one of the first States in the Union to get strongly behind an increase in math and science requirements. Kudos to Florida for that effort. We need more efforts in the rest of our States to do it.

As we pointed out in the report, looking at international assessments, our students—the National Science Foundation just released this—in the fifth grade come in 8th out of 15 countries in math and science. When we test them in the ninth grade, they come in 14th. When we test them in the 12th grade, they come in 15th. The longer you stay in school in America and study math and science, the further you fall behind students from other industrialized nations. We are not teaching enough of it and we are not teaching it well enough.

Senator CHILES. Last year we provided almost a 50-percent increase for math and science education. Your discretionary fund also grew about 50 percent, to almost $11 million.

Secretary BENNETT. Right.

MATH/SCIENCE PROGRAMS SUPPORTED WITH DISCRETIONARY FUNDS

Senator CHILES. What are you doing with your discretionary fund moneys to generate more interest?

Secretary BENNETT. Bruce?

Dr. CARNES. The discretionary fund, Mr. Chairman, is approximately $10 million. With that we are supporting educational television. For instance, the "Square One" program, a math program, has been supported by the Department. We are providing funding, in addition, for the "3-2-1 Contact" program. We are also conducting a competition amounting to $1 million that we are supporting through that discretionary fund to improve the use of technology in schols. In addition, there is another competition for services to the underrepresented to improve instructional services so that teachers can improve their teaching of children in disadvantaged and low-income areas. We expect to make awards in that program this month. That will amount to about $4 million. That single activity accounts for just slightly less than one-half of the entire discretionary fund.

Secretary BENNETT. These things, I think, can be helpful, Mr. Chairman. But the main generator of interest in math and science is the kind of expectations and requirements we have in the States, including opening up the teaching profession to people who are competent in math and science, not to keep them out for artificial and unjustifiable reasons of licensing and certification and the like.

This just ought to be an easy one. This ought to be one where the States just say this is what it means to get an education at the elementary, middle school, and high school level. Math and science is going to be a lot greater part of the future than it has been recently.

DECREASE IN UNIVERSITY MANAGEMENT REVIEWS BY DEPARTMENT

Senator CHILES. Mr. Secretary, you have exhorted colleges, especially proprietary schools, and lenders to be more vigilant in their administration of student aid programs in order to reduce loan defaults.

Secretary BENNETT. Right.

Senator CHILES. Your Department shares this watchdog responsibility. Looking at the statistics, I wonder whether you ought to be speaking to your own Department a little bit. Since 1981, the Department has been cut by 60 percent, the number of reviews it conducts of university management of student aid programs. The reviews of the lenders and guarantee agencies have dropped by 50 percent. Financial recoveries as a result of these reviews have decreased by almost 85 percent from $25.7 to $4.2 million. That does not seem to be very cost effective.

Secretary BENNETT. Well, it is not particularly cost effective. What has happened here is that we have—as we talked about earlier—requested smaller budgets than we were given; but there is one part of our small budget request that tends to be honored. This is often in the administrative area, so the kind of things that you just described happen.

There is a discrepancy between funding for administrative actions and programmatic actions.

Dr. CARNES. If I could just elaborate on that.

Senator CHILES. What you say is that when you request small funds for other areas, we add the money back, but we do not add it back when you request small money for administrative expenses.

Secretary BENNETT. Right.

Senator CHILES. You have been around a good while, Mr. Secretary.

Secretary BENNETT. That is right.

Senator CHILES. You ought to start realizing that is happening too.

Secretary BENNETT. I can figure this out. That is the answer. Yes, sir.

INSTITUTIONAL AND PROGRAM REVIEWS PLANNED FOR 1989

Dr. CARNES. If I could just elaborate for a second, Mr. Chairman. We are hoping in 1988 that we will more than double the number of institutional or program reviews that we are going to do, from over 300 to approximately 600 or 700 program reviews. In addition, we are increasing the number of lender and guarantee agency reviews.

Senator CHILES. How much below 1981 will that be if you go to 600?

Dr. CARNES. They are still considerably below.

Senator CHILES. About 40 percent below.

Dr. CARNES. The lender and guarantee agency reviews would be approximately that far below, and I think probably the program reviews would be 30 percent below. We are hoping in 1989 to do more. We think that we ought to be back up there. We think we ought to be doing more of those reviews. We ought to be doing more audits. We ought to have more investigators in our inspector general's office.

The Secretary is quite right that, not only have we had the money added back for programs that we sought reductions in, but we got additional programs to start up as well. In fact, there has been significant growth in a number of programs at the Department.

I might just say that the administrative resources this year were also cut 4.26 percent in addition to the particular targeting on travel funds, which has that effect on the number of reviews as well. One of the concerns we have is that if we get additional program funds or additional programs, we have the administrative resources to continue our monitoring effort. We think it is important. We agree with you.

PREVENTATIVE PROPOSALS FOR LIMITING ABUSE

Senator CHILES. I think it is essential. I think the worse ripoffs we have got going are some of these so-called proprietary schools that are sucking this money in, not teaching much of anything, and then not trying to do anything about seeing that the loans are repaid. It is a disgrace and we ought to be riding down on them.

Dr. CARNES. You are right. A lot of that program review effort is, if I might say so, backdoor stuff. It is going around and trying to find out about problems—people or schools—after they have already occurred. We think, in addition, there ought to be things that are sort of front-end stuff that prevent these problems from ever occurring in the first place.

Senator CHILES. What kind of front-end preventative steps?

ABILITY-TO-BENEFIT PROVISION ELIMINATION

Dr. CARNES. Well, for instance, we just submitted legislation at the end of last week to Congress in the area of student aid accountability that we think will help. That includes the tightening of the ability-to-benefit provision where we think there are serious problems in every account that we read, whether it is in the media, newspapers, television, or program reviews, or audits that our inspector general does. There are big problems in the ability-to-benefit provision.

LENDER AND GUARANTEE AGENCY ACCOUNTABILITY

We also think there ought to be increased responsibility by lenders and guarantee agencies in the making of loans. We submitted a legislative proposal to reduce the insurance and reinsurance rates on loans for the Guaranteed Student Loan Program. This program, unlike any other program that the Government offers, provides 100 cents guarantee on the dollar. Our proposed legislation provides equal partnership between the Federal Government and private lenders and guarantee agencies so that everybody has an interest in policing, if you will, the program.

STUDENT LOAN DATA BANK

In addition to that, we want to have a student loan data bank made available under terms allowing us to require people to use it and check the credit worthiness and previous award levels of potential borrowers. We think that these things, which are at the front end of the process, will do a significant amount to help bring down the defaults and curb some of the abuses and situations that some people are sometimes tempted to take advantage of.

DEPARTMENT STAFFING—POLITICAL APPOINTEES/CAREER STAFF

Senator CHILES. Mr. Secretary, in response to a request from the subcommittee, you recently submitted a report detailing the growth in the number of political appointees in the Department of Education. I was surprised to learn that during the administration, the number of political appointees has risen by 60 percent. That took place at the same time the total number of education employees was cut by 35 percent.

Do you think it is appropriate to be adding all these additional confidential and special assistants, political appointees, at the same time your career staff is being cut and we are preaching a reduced Federal aid in education?

Secretary BENNETT. Again, the total numbers of staff in the Department have decreased dramatically. I think, in terms of all departments, we have gone down the most of any of them, from 7,000 to 4,500. When you count the 4,500, you are including in that number political appointees as well as others. They are competent and qualified people. They are doing a good job, so I do not have any apologies for them.

Senator CHILES. Do you want to comment?

Dr. CARNES. We did send a letter to you on this point on May 5, Mr. Chairman. We point out in there that the total number of political appointees has gone up. In comparison with other agencies, we are either higher or lower.

The point we tried to make in our letter to you was that if you compare the ratio of the number of Presidential appointees confirmed by the Senate to political appointees with those of other agencies, you see that our political employees are basically in line with other departments. Other departments have a much lower political level of representation all the way up, top to bottom.

We have a great number of Presidential appointees confirmed by the Senate in this Department. Also the activities of other agencies and departments, such as the Social Security Administration and HHS, are not in the nature of the activities that we perform. So, while they are much larger agencies, the activities are considerably different.

Again, we think that people who are hired, whether they are political or nonpolitical,-still have to meet the requirements for the job, and they are performing the jobs. In many cases they are performing administrative jobs in our administrative area, or budgeting jobs.

Senator CHILES. I note again that at the same time you reduced your overall component by about 36 percent, you increased your political appointees by about 60 percent.

McNAIR POSTBACCALAUREATE ACHIEVEMENT PROGRAM FOR MINORITIES

Mr. Secretary, as you know, the Higher Education Act Amendments of 1986 authorize the McNair program to help increase the number of minorities attending graduate school. The law authorized the program to be funded once the TRIO Program reached $168.8 million.

In the 1988 appropriations bill we provided $205 million for the TRIO programs, and in the conference report, directed the Department to establish the program. Senator Hollings and I have written you to express our concern that you have not established this program. I think Senator Simon and Senator Thurmond have also written.

I am not persuaded by your point that the Department already funds programs similar to McNair. The Minority Participation and Graduate Education Program is the one program like McNair, and it was funded in 1988 for the first time for a level of $3.4 million. That will support about 30 projects.

I hope you are not suggesting that $3.4 million is sufficient to address the declining minority enrollments in graduate school, especially among blacks, and that an additional $1 million could not be used effectively. I understand that Acting Assistant Secretary Whitehead testified on the House side that the Department might reconsider its decision not to fund the McNair program. Is that a serious offer, or was that something to get him out of the room?

Dr. CARNES. We certainly are prepared to entertain arguments on this issue, as Mr. Whitehead testified. Were we apprised of additional information, I think we would certainly be happy to look at it and see if we ought to reconsider our decision.

Senator CHILES. Entertaining those arguments, the conference report said the conferees included a substantial increase in funding for the TRIO Program because of a grave concern over declining enrollment of low-income and minority students in college. The conferees view was that the TRIO increase should be used to fund the Ronald McNair Postbaccalaureate Achievement Program at a level of $957,000 to provide increases for all continuing TRIO projects to compensate for cuts that can spare some real dollars. That is about the most effective way we know how to argue.

OTHER PROGRAMS FOCUSED ON MINORITY GRADUATE STUDENTS

Dr. CARNES. As we look at the situation, Mr. Chairman, we note that indeed doctorate production by minorities is up in this country. Minority Ph.D. production is up. Minority Ph.D. jobs, particularly in academe are, as everyone is quite aware, not increasing. In addition, there is duplication of this program with authority that already exists in the TRIO Program. That is, specific authority to aid the transition of students who are graduates into graduate school is explicit in the TRIO authority which got a $30 million increase.

Senator CHILES. TRIO is undergraduate, right? It is not postgraduate?

Dr. CARNES. There is authority in that statute under student support services to provide support for the transition from undergraduate into graduate school. It supports activities that are exactly the same as in the McNair program.

In addition, as Mr. Whitehead pointed out, we have got $20 million in other programs that are specifically targeted on minority graduate students: The Patricia Roberts Harris Graduate Fellowships Program, minority participation in graduate education, the CLEO Program, not to mention the student aid programs.

Given the fact that minority participation is up, and that the authority exists in other programs which had a substantial increase, these are issues that factored into our determination that at this time, we felt that this program was not necessary. This is not to say anything about this type of activity, which we are in fact supporting.

Senator CHILES. Minority participation might be up, but black minority participation is down at the graduate level.

Dr. CARNES. Black Ph.D.'s are down; white Ph.D.'s are down.

McNAIR POSTBACCALAUREATE ACHIEVEMENT PROGRAM

Senator CHILES. Mr. Carnes, we are talking about $957,000.

Dr. CARNES. Yes sir.

Senator CHILES. We are talking about something the authors thought enough about to write into the report, after they had added money into the TRIO proposal. It is one of these things entirely. If you have not thought about it, it is not any good. We may have to write it into the law if we cannot make our suggestion any other way.

Dr. CARNES. I tried to respond to the arguments you have made concerning the program. I think I have responded in good faith to the points that you made. I believe that the points I raised are compelling ones.

As I said at the beginning, and as Mr. Whitehead testified, we will be happy to entertain other arguments on this and look at it again.

Senator CHILES. We will give you some more.

Dr. CARNES. Yes; I expect you will.

SECRETARY BENNETT'S POSITION ON NEED FOR CABINET-LEVEL DEPARTMENT

Senator WEICKER. Mr. Secretary, I noticed in today's newspapers your announced intention to leave as Secretary of Education some months in the future. Back in August 1985 in an interview with a magazine, a reporter asked a question on a public television show: "Earlier this month you said I do not think you can argue that the Department of Education is necessary. If that is so, why are you not leading the charge to dismantle it?" Your response is, "I did say that." By the way, that show was taped about, the reporter says, April. You respond, "Yes, but it was April 1984 and not April 1985. That was 10 months before I became Secretary of Education." The reporter said, "It was broadcast just last month." You responded, "That is right. It was not exactly news, but that is the way the world works sometimes. I will stick to it. I said that the Department of Education was not necessary before I became the Secretary, and now that I am Secretary I will say it again."

My question to you is, now that you are leaving as Secretary, would that still be your response?

Secretary BENNETT. Yes, sir; I think a number of the programs the Department runs are useful, desirable, and some of them even very good. Do you need a Department of Education at the Cabinet level to do this work? No. Does that mean eliminate the programs? No.

PRESIDENT REAGAN'S POSITION ON CABINET-LEVEL DEPARTMENT

The President has, in the interim between those comments and today, said that he no longer favors the abolition of the Department. You may recall that interview when the President said he was not in favor of the abolition of the Department any more because, as he said, the Department is not bothering anybody anymore.

SECRETARY'S VIEW OF DEPARTMENT AS LEADER IN EDUCATION DEBATE

I do think the one change of mind, Senator, that I have had on this is, I think that quite apart from the individual programs, a Cabinet-level Department of Education can perform the useful service of being the center for a national discussion about education, change, reform, and the like. And, if it is done in that way, I think you could argue that the merits could outweigh the disadvantages, but only if it does that job vigorously and if it recognizes that what it does cannot constitute an excuse for the major players, State and local governments, doing their job. So, it is OK. I think it is moot at this point.

Senator WEICKER. I have to say to you, in listening to your comments the other day which blamed everybody in the educational establishment for the shortcomings of the system, it sounds like, coming from the Secretary of Education who believes there should not be a Department of Education—I think the shame is a missed opportunity.

I read the very eloquent remarks of Albert Shanker, one who was quite frankly enthusiastic about your taking over this position. As he ended, I have got it before me, but your major failure of leadership has been your attitude toward all those who have to make the schools work: School board members, superintendents, principals, and teachers.

Secretary BENNETT. Not true. Not true.

Senator WEICKER. I find a Secretary of Education who went into the post feeling that he should not be Secretary of the Department which he was being asked to head, and is now leaving the post saying there should not be such a Department.

Secretary BENNETT. No; I said you do not need to have it.

Senator WEICKER. He is hardly qualified to go ahead and put the blame on other people's shoulders.

Secretary BENNETT. Well, there is plenty of blame to go around. I do not blame all the principals and teachers. I do think people like the heads of the teacher unions, and some of the organizations do share a heck of a lot of blame; you are right. Ironically, in fact, it is much less likely that you will ever see the abolition of the Department of Education in the future, and I have to tell you, largely because of me. I do not think it is going to happen because, I will tell you Senator, I know your estimate of my job and my performance, but a lot of people disagree with you and think that this Department has been transformed. It is now going to be a central player in the education debates in this country; that is probably a good thing.

DEPARTMENT'S ROLE CENTRAL TO EDUCATION DEBATE

Senator CHILES. Was that not exactly why we were going to have a Department of Education; it is why I voted for it. We had HEW with education. We were putting all kinds of money there, but you have got some kind of an Assistant Secretary who sits under an Assistant Secretary and there is and never was any way of delegating or aligning who had the responsibility. Now it is put on the Hill.

Secretary BENNETT. That is fine. I think that is good as long as your Secretary of Education in the future is not hiding on the Hill and is out there talking to the American people, listening to them and finding out what is going on.

Senator CHILES. Is that not true of any other Secretary and whether or not he is going to do his job. At least he is going to be viewed. Just like if people are entitled to the albatross if they get a bad Secretary of Education, they wear that chicken around their neck for awhile.

Secretary BENNETT. That is right. And the American people survive.

Senator CHILES. They have been wearing it for awhile. [Laughter.]

Senator WEICKER. At least that is what they get.

Secretary BENNETT. Right. Chickens, cats, and dogs are all sorts of things that the American people can endure. I do feel I have to submit for the record the fact that there is an awful lot of opinion contrary to the view that the American people have been wearing a chicken around their neck with me. I am darned proud of the job I have done, whatever you think and whatever Senator Weicker thinks.

Senator CHILES. I agree with that.

Secretary BENNETT. Good. It was not the implication of your remarks.

Senator CHILES. I said that some people might think that.

Secretary BENNETT. Oh, all right. OK. It is all right. Some people might. In any case, I think the office is different now, Mr. Chairman. People have to do this job in their own way, by their own style. I think that the position of Secretary of Education is the center, or at least one of the centers, of debate about what to do and how we are doing, and reporting on the state of American education and trying to point the way, based on research and what works. It is an important part of the job. I hope we have done that or helped to do it.

Senator WEICKER. In other words, I gather your response is that principally, your contribution, aside from your disbelief in your own Department, was to go ahead and get people debating and arguing. Is that right?

Secretary BENNETT. No. No; my main purpose was to improve American education, to do what I could to improve it.

DEPARTMENT ROLE IN EDUCATION OF DISADVANTAGED/HANDICAPPED

Senator WEICKER. I suppose what bothers me is that you had a specific charge as far as the handicapped. All you did was consistently come forth with zero funding programs or reducing up until this year. You had the charge of the economically disadvantaged. You had the charge of those kids that wanted to have equal opportunity in terms of their higher education.

I find it incredible that in a review of the record, nothing has been achieved in your specific charges, but rather the broader statement that you have led a debate.

Secretary BENNETT. No; we did a lot more than that.

DRUG EDUCATION PROGRAMS

Senator WEICKER. I just came from an Appropriations Committee hearing on defense and Senator D'Amato and others asked Secretary Carlucci what the role of the Defense Department would be in the war on drugs. It was a very constructive conversation, but I could not help but think of the important role to be played by education in this war on drugs led by a Secretary of Education.

Secretary BENNETT. Right.

Senator WEICKER. Billions are going to be required in terms of educating our youngest children from their earliest days. I have not heard any advocacy in an education sense.

Secretary BENNETT. You have not been listening, Senator. We were out of the box early. We put out a state-of-the art book. We have been talking about the war on drugs, and the various fronts on which it has been fought.

Senator WEICKER. How about the billions that are going to be required in the process?

Secretary BENNETT. About the only area where we can show progress in this country in drugs is in the schools. I am not going to take any personal credit for that because that is the efforts of the individuals on the ground. But we have sure paid attention to this issue and done our part.

Senator WEICKER. Is there something in this budget request that calls for Department of Education funding in the war on drugs to the extent that is required now?

Secretary BENNETT. Yes; I think it was $250 million.

Senator WEICKER. How about other programs or grants to States, or whatever. Where is the initiative?

Secretary BENNETT. We cannot command the fleet, Senator, which is part of this war, but we are doing our part. We have been asking the Congress.

Senator WEICKER. You can certainly get the attention of an army of teachers.

Secretary BENNETT. You bet.

Senator WEICKER. Or helicopters, or battleships.

Secretary BENNETT. You bet. One of the first two people I met with in this war were the two heads of the teacher unions. I said, "You all ought to come out flat and clear that anybody who uses drugs will not be a member of our union." I have not heard from them yet. That is something I cannot do; it is something they can do. But it was a challenge to them. Ask them why they have not done it. I think most teachers are on our side in this effort.

Senator WEICKER. I do not understand what being on your side means, Mr. Secretary.

Secretary BENNETT. It means getting drugs out of schools; that is what it means.

DRUG EDUCATION PROGRAMS

Senator WEICKER. But how do we go ahead and educate if we do not have the money to do that job?

Secretary BENNETT. We have got the money to do it.

Senator WEICKER. Recite to me what you have now in your budget proposal.

Secretary BENNETT. It does not cost that much, Senator Weicker, to have a good drug education program. It does not cost any more to have a bad one.

Senator WEICKER. You do not think you effectively respond in terms of educating our children at the earliest possible date and that it is not going to cost very much?

Dr. CARNES. We are requesting the maximum that is authorized under the program for the Department of Education. We are increasing it by 25 percent, $200 million to $250 million in 1989. That is the maximum we are allowed to seek.

Senator WEICKER. And you feel that is enough to do the job adequately?

Secretary BENNETT. With the other funds that are set aside for drug education in the States, if they were spent right, it is adequate to do the job. Yes.

ACQUIRED IMMUNE DEFICIENCY SYNDROME EDUCATION FUNDING REQUIREMENTS

Senator WEICKER. Mr. Secretary, what if I pointed out to you that just in the matter of AIDS education in this year's budget, $1 billion is called for in terms of education; that is $1 billion just on AIDS. How is it that drugs are going to come in effectively at $250 million?

DRUG EDUCATION PROGRAMS

Secretary BENNETT. Because you have already got thousands of existing drug programs; 70 to 80 percent of kids have drug education programs in the schools. The problem is not that there is no money for drug education programs. The problem is the quality of a lot of those programs.

SECRETARY'S VIEWS ON NEED OF CABINET-LEVEL DEPARTMENT

Senator WEICKER. Well, I will move on, but I really think that there is a great opportunity for anybody that fills your shoes. And you still say you believe in the abolition of the Department which you have headed up for 4 years?

Secretary BENNETT. I did not say that, Senator. You keep repeating that, but I did not say it. I said you do not need to have a Department. I think a lot of the programs are good, but you do not need to have a Department.

Senator WEICKER. I quoted you direct. You said, "The Department of Education was not necessary before I became the Secretary and now that I am Secretary, I will say it again." I asked you whether that was what you said. You said, "Yes, it is not necessary."

Secretary BENNETT. It is not necessary. Believing in departments may be what folks want.

Senator WEICKER. What if teachers went into their jobs believing as you do, that what they did was not necessary?

Secretary BENNETT. They should not be in the classroom.

Senator WEICKER. Well you should not have been in the Department of Education.

Secretary BENNETT. Well, Senator, you have held that view from day one; I understand that.

Senator WEICKER. That may be, because when you make that kind of a statement, what kind of commitment does that expect?

SECRETARY'S COMMITMENT TO IMPROVING EDUCATION

Secretary BENNETT. I have made a heck of a commitment. You just did not like the direction of the commitment. We exercised our Federal role, and we exercised it a lot more vigorously than you thought we would. In fact, our national role eclipsed our Federal role. You are not angry with me because I ignored it; you are angry with me because we were darned successful in this country. That is why you are angry with me.

Senator WEICKER. What were you successful on, Mr. Secretary?

Secretary BENNETT. The education agenda in this country is intensified and focused in a way it has never before been focused. Education spending is up in this country dramatically. Yes; I had a lot to do with that by focusing attention on education. We now know what works.

Senator WEICKER. At the Federal level, Mr. Secretary?

Secretary BENNETT. At the Federal level, the 7 or 8 percent was going to be what you were going to call it anyway. Everybody knew that.

Senator WEICKER. You consistently asked that spending be decreased.

Secretary BENNETT. In State after State in this country, Senator Weicker, people have said thanks to a lot of the attention I focused on education. There is going to be more money and it is going to be better spent. Good luck with my successor. I hope you do as well.

Senator WEICKER. Speaking for the State of Connecticut, which is really the only State I am somewhat qualified to speak for, every comment that I hear certainly does not go ahead and thank you for your efforts.

Two latest editorials. "Secretary of Private Education" is one from the Hartford Current.

Secretary BENNETT. Would you like an editorial war? Would you like a mail war?

Senator WEICKER. The other one is "A Welcome Message on AIDS," which you gave us all a lecture about in the State of Connecticut.

Secretary BENNETT. That is right. You should have listened too.

Senator WEICKER. I have sat through your tenure of this office.

Secretary BENNETT. Right.

Senator WEICKER. I have seen a consistent cutting of the education budget under your aegis.

Secretary BENNETT. It has not been cut; we have proposed reductions. Education spending is up every year in this country.

Senator WEICKER. Raised by the Congress. The additions to educational spending have come both at the State and local level for which you also now like to take credit.

Secretary BENNETT. No; the credit belongs to them.

Senator WEICKER. What I am saying to you is that I expected maybe after having held the position, you would say, now that I have been in the Department of Education and I have seen the problems, I think this is something necessary to the future of this Nation. Instead, it is the same going out as you came in. So there is a consistency, but it is a very despondent consistency insofar as education in America is concerned. Maybe you can do better on the outside, and that is fine.

Secretary BENNETT. Maybe.

Senator WEICKER. An awful lot of people counted on you. And fortunately Congress is around to make sure those people were not shortchanged.

Secretary BENNETT. My conscience is clear, Senator.

OFFICE FOR CIVIL RIGHTS BUDGET REQUEST IN RELATION TO WORKLOAD INCREASES

Senator WEICKER. On your 1989 budget request for the Office for Civil Rights, you propose an increase over 1988. Your budget justification indicates that most of the increase will be used for a Federal pay raise, indeed $728,000 of the $811,000, which is the increase requested.

I have serious doubts that this budget is going to be sufficient to cover the Office for Civil Rights workload for 1989, but I am particularly concerned about additional responsibilities that they will be undertaking without additional funds.

For example, as a result of the Civil Rights Restoration Act, the Office for Civil Rights directed that all cases closed or narrowed due to the *Grove City* decision be reviewed and a determination be made as to whether to reopen such cases. In March 1987, your own Department reported there had been a total of 834 cases affected by *Grove City*. Any additional complaints filed since will also have to be reviewed.

Second, the Office for Civil Rights responsibilities to preclear applicants for magnet schools is expanded to include a determination of discrimination on the basis of sex and handicap as well as race. This expansion will clearly increase the Office for Civil Rights' workload.

Finally, I understand that the Department intends to keep to the timeliness for complaint handling that was set forth in the *Adams* order.

How are you going to do all of that with an increase of $83,000, since that is the money that would be left over after the Federal raise, to handle all of that in addition to your present caseload?

IMPACT OF *GROVE CITY* DECISION

Dr. CARNES. Right. I think you have raised an important question about the effect of the new *Grove City* legislation. As soon as that legislation moved, we began to make an assessment internally as to what the impact of that was going to be on both our workload and our caseload. It is correct that there are approximately 800 cases which we had earlier determined did not fall under our jurisdiction because of the previous *Grove City* legislation; we are now looking at those cases. It is simply a question of reviewing the cases that now exist to see which, if any, of those cases are now relevant to us. We have not yet completed that review, so we do not know how many cases now would fall under the new law.

The second thing is that we do not yet have an estimate, although we are working on one, as to the extent of the workload increase, if any, beyond those 800 cases which we are re-reviewing. It is conceivable that only a very few of those cases will now be subject to our jurisdiction so that we will become involved in them again.

Senator WEICKER. Are you going to be asking for a supplemental?

Dr. CARNES. We do not know. We could. It is conceivable, as we find out what the workload is. If it increases and the caseload goes up, if we do not have the resources, we will entertain that idea.

Senator WEICKER. Mr. Secretary, for 6 consecutive years, the Department of Education has sought the elimination of all Federal library support, citing such reasons as all funding should be assumed by State and local governments and the need to reduce unnecessary Federal funding. You are now asking for $76 million for a revised library program and, while a 44-percent cut from last year, it does represent a change in policy.

How did you arrive at the $76 million for libraries? Is there some justification to the amount, or is it what OMB said you could have?

Secretary BENNETT. Mr. Carnes.

Dr. CARNES. It was an amount that was recommended to us by the Assistant Secretary of OERI in consultation with his director of library programs, and an amount which we then presented to OMB and asked for authority to seek from the Congress. Again we were trying to work within overall budget totals for the agency; we were guided by that. What we wanted to do here was to try to recognize the inevitability of Federal funding for this program. We hoped to be able to try to at least shape the way that funding is used.

I am quite aware that we have disagreed historically on what that level of funding ought to be. The funding level that was recommended to us is the one we sought from OMB and which we now request here. We believe these are adequate levels to begin to do the job that we think Federal library programs ought to do.

Senator WEICKER. Well, again I am glad we are starting to come back on track with the library program. I would ask the Secretary to comment again on his book which he published in 1986, "First Lessons," where he makes the statement, "Children should belong to the public library. There is one within striking distance of practically everybody. Let us have a national campaign by the end of the 1986–87 school year. Every child should obtain a library card and use it."

While you were giving us "First Lessons," you were asking for zero funding for library access programs. Would you not say a first lesson is to anybody that whatever you say, people should have the right to believe in it as a matter not only of word, but of deed. How do you go ahead and in any way relate zero funding to saying that every kid ought to have a library card?

Secretary BENNETT. I know you believe, Senator, that if a thing is good, not only should the Federal Government buy it, but the Federal Government should buy more of it and more of it and more of it. That does not necessarily follow. Libraries are good.

Senator WEICKER. Do you not think the handicapped should have access to the library?

Secretary BENNETT. Yes; sure. And most kids do have access to libraries.

Senator WEICKER. Thanks to the Federal programs.

Secretary BENNETT. Largely to State and local programs.

Senator WEICKER. Mr. Secretary, I really cannot pursue it any further than that indeed the access to those who find it difficult to have access has been made possible by the Federal funding. We do not go ahead and bill those libraries. That is up to the local communities and the States to stock it with the books.

For those who have difficulty getting to the library, the access program has been our special job.

Senator WEICKER. Then why did you think it was worth zero dollars?

Secretary BENNETT. Given the facts and circumstances, as you know Senator Weicker, and given different budget levels, you cannot pay for everything and you cannot buy everything. We have disagreed on that; we will continue to disagree.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. I have further questions, Mr. Chairman, for response to the record.

Senator CHILES. I think maybe some of the other committee members do too. Mr. Secretary, I know you are going to miss these love feasts that you take on here.

Secretary BENNETT. I am. We have a tape of it. We will be able to replay it.

Senator CHILES. I am going to be like you next year; I am going to miss it from somewhere else, too.

Secretary BENNETT. Yes, sir.

Senator CHILES. And we will both do that. Thank you very much.

Secretary BENNETT. Thank you, Mr. Chairman. Thank you very much.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

DEPARTMENTAL MANAGEMENT

SHIFTING OF SALARY AND EXPENSES FUNDING

Question: Mr. Secretary, I understand that your Department responded to a tight salaries and expenses budget for fiscal year 1988 by shifting some expenditures that would normally be financed from that account into program accounts. For example, almost $9 million in computer costs was shifted to the Guaranteed Student Loan program and $1 million in field reader costs was charged to the Handicapped Education and Rehabilitation Service account. I know that agencies have to be creative when faced with tight administrative budgets, but I question whether it's appropriate to shift overhead costs and shortchange program needs. What program activities were curtailed in the Guaranteed Student Loan program and Handicapped Education to finance $10 million worth of Department administrative expenses?

Answer: In FY 1988, a total of $9.2 million of Guaranteed Student Loan program funds will be used to support activities required in the administration of the GSL program, and activities provided through the GSL/NDSL data systems contract. This continued the authorized practice followed almost every year in the last decade of paying some of the administrative expenses related to default collections from the GSL account. In 1988, these activities include a wide range of computer and support services for the GSL program, particularly those related to defaulted loan collection efforts and the systems changes and data processing required to implement the Federal Employee Salary Offset project earlier than had been originally planned. No program activities have been curtailed. The administrative activities were funded from a surplus estimated to be approximately $31 million, of which $21 million had been budgeted to be carried over from FY 1988 to FY 1989.

A total of $1.1 million from the Education of the Handicapped and the Rehabilitation Services and Handicapped Research accounts has been used to support field reader costs associated with evaluating FY 1988 grant applications for programs in these two accounts. The Rehabilitation Act of 1973, as amended, and the Education of the Handicapped Act authorize the Department to use program funds to pay for field readers. Thus, program funds have been used frequently for these purposes in the past. Amendments to the authorizations last year, along with language in several congressional reports, reflected congressional directives to spend more money on more extensive and expensive field reader reviews.

The program funds that were used to cover field reader costs were part of the FY 1988 increase which these accounts received for new discretionary grant activity. In FY 1988, the Education for the Handicapped account and the Rehabilitation Services and Handicapped Research account received increases of $127.1 million and $106.6 million, respectively. Since the amounts allocated for field readers from the Education for the Handicapped ($.7 million) and the Rehabilitation Services and Handicapped Research

($.4 million) accounts represent less than one-half of one percent of the FY 1988 funding increases in these accounts, and because some funds for discretionary grant activities almost inevitably lapse, the impact on both the number and size of new discretionary grants has been negligible.

NATIONAL STUDENT LOAN DATA SYSTEM

Question: How much funding has the Department allocated to development of the national student loan data bank in 1988?

Answer: Currently, we have allocated $50,000 as a task order under an existing contract to determine options for possible structures of the National Student Loan Data System. Recent conversations with the contractor have indicated that an increase in funds may be needed in order to expand the scope of analysis necessary to determine viable options for the structure of a data system. However, no increase in funding is planned until our pending legislation concerning the use of the system is enacted.

INTERGOVERNMENTAL ADVISORY COUNCIL ON EDUCATION

Question: Why is the Department proposing to terminate the Intergovernmental Advisory Council on Education?

Answer: The Intergovernmental Advisory Council on Education is authorized by section 213 of the Department of Education Organization Act (DEOA) as a 20-member council appointed by the President. The Council's function is to provide assistance and make recommendations to the Secretary of Education and the President concerning intergovernmental policies and relations relating to education.

The Department has determined that the Council is not needed because its function duplicates work already performed by other offices within the Department of Education and by other advisory councils. For example, the Under Secretary, under section (202)(a)(2)(A) of the DEOA, has the responsibility for conducting the intergovernmental relations of the Department, including ensuring an appropriate and limited Federal role in State and local educational activities and adequate consultation between the Department and States and localities. In the main, the Council's functions are already performed by the Deputy Under Secretary for Intergovernmental and Interagency Affairs, whose office includes representatives of the Secretary in ten regions of the country. In addition, other advisory councils of the Department provide a forum for non-Federal representatives to discuss educational issues, and provisions for public review and comment on regulations provide an excellent forum for States and localities to comment on pending regulations.

OFFICE FOR CIVIL RIGHTS

REDUCTION IN OCR REQUEST

Question: As you know, last year we weren't able to provide your full budget request because of some across-the-board cuts we had to take to meet our deficit reduction targets. But I'm surprised that your 1989 request is $1.6 million below your 1988 request. I would have expected you to ask for at least as much as you requested last year. What circumstances have changed in the Office for Civil Rights so that you can get by with fewer dollars than you believed you needed last year?

Answer: The 1989 request is 2 percent above the 1988 appropriation. This was the percentage increase that Congress and the President agreed was appropriate for domestic discretionary programs in their November deficit negotiation. Because Congress appropriated significantly less than our 1988 request (6 percent less than our original request), the 2 percent increase in 1989 is obviously lower than the 1988 request. Thus, the changed circumstances causing the decrease were the result of the congressional action or appropriation.

Because the 1988 appropriation also included an earmarked cut in funds for travel, our 1989 budget request actually shows an increase of $965,000, or 2.3 percent, in funds we can obligate.

At this point, we are still assessing the 1989 workload and budget impact of the recently enacted Civil Rights Restoration Act. It was not passed at the time of our budget request.

IMPACT OF CIVIL RIGHTS RESTORATION ACT

Question: Both Houses of Congress recently overturned the President's veto of the Grove City legislation. Last year, the Department testified that it had been unable to investigate numerous complaints because of the Supreme Court's Grove City ruling. Now that the restriction has been removed, I assume you expect an increase in 1989 workload. What 1989 workload increases are you projecting as a result of the recent Grove City legislation?

Answer: As yet, it is too soon for us to make a new projection of our 1989 workload. Our 1988 workload, based on complaints received and compliance reviews initiated, has not changed significantly over that of 1987. Our current workload includes the screening of approximately 800 cases which had been closed for lack of program specific jurisdiction between the Grove City decision in February 1984 and the Civil Rights Restoration Act in March 1988. We will try to contact all the complainants to determine if continuing violation exists. If complainants responds, OCR staff will review the complaint to determine whether an investigation should be initiated. It is not yet possible to estimate reliably the extent of work which may be required with these closed cases. It is also too soon to project the number of new complaints which we will receive due to enactment of the new Act.

Question: Is it correct to assume that this increase is not reflected in your budget request, since it was drafted prior to congressional action?

Answer: Yes. Any projected increase in OCR's workload due to the new Civil Rights Act is not included in the 1989 budget request.

Question: Do you have adequate resources to fulfill these responsibilities? I note that you don't request any increase in staff and that your travel request is frozen at the 1988 level which was cut 15 percent from the prior year.

Answer: It is still too early for us to amend our 1989 budget request because of the new legislation. If our workload begins to show a significant increase under the new Act beyond the capability of our resources, we will consider requesting additional funds.

AIDS ANTI-DISCRIMINATION

Question: Since the Arline decision last year reaffirmed protection against discrimination for those with infectious diseases under Section 504 of the Rehabilitation Act, it has been interpreted as extending protection to people with AIDS. How is the Department interpreting the Arline decision with respect to AIDS? Have you been asked to investigate complaints alleging discrimination against AIDS victims? Have you turned down any of the cases?

Answer: In its decision of March 3, 1987, in School Board of Nassau County, Florida v. Arline, the Supreme Court held that a person with a contagious disease (in this case, tuberculosis) could be a handicapped person protected from discrimination by Section 504 of the Rehabilitation Act of 1973. It is the Department's position that the Arline decision should be interpreted as applying to persons with AIDS and to those who carry HIV virus.

During fiscal year 1988, as of May 10, 1988, the Office for Civil Rights (OCR) of the Department had received four complaints about AIDS. One of these complaints was withdrawn by the complainant. One complaint is the subject of a pending investigation. Two other complaints were investigated and no violation findings were issued.

Question: In your role of providing technical assistance to institutions which receive Federal education dollars, what guidelines do you provide regarding treatment of persons who test positive for the AIDS virus or who have the disease?

Answer: OCR advises recipients of Federal assistance that people that test positive for the HIV virus, as well as those who have AIDS, are covered by Section 504 if they meet the regulatory definition of "qualified handicapped" person.

EARLY INTERVENTION PROGRAMS AND CHILD CARE POLICY

Question: Mr. Secretary, in your publication "Dealing with Dropouts" that you produced with many of our urban school superintendents, you highlighted the need to intervene as early as possible with our at-risk youngsters. I have introduced a bill to provide limited funding in this area. A number of other Senators have introduced more expansive bills. We also have some new programs in the Stafford-Hawkins Act that address early intervention strategies. What are your views of these initiatives?

Answer: I want to make it clear that my concerns with these more expansive bills do not rest solely on their price tags. Their exorbitant costs are alarming largely because of how these dollars would be spent. Having said that, let me lay out what I believe to be the fundamental principles that should guide our efforts in the delicate and important area of the care of our children, and in particular in the development of public policies bearing on child care.

- o First, we should ask if the policy or program under consideration over the long term would strengthen or weaken the vital social institutions -- especially the family -- that bear primary responsibility for the nurture and protection of our children. The best policies on behalf of children will be those that strengthen families.
- o Second, child care policies should not discriminate against families that choose to have one parent stay at home to care for their children.
- o Third, for those parents who do choose day care, we should insist on fair and equal treatment for the various types of child care available to them. Government programs should not favor or promote secular care over religious care, or institutional care over informal care.
- o Fourth, when we do spend public money, we should target funds on the neediest -- on lower-income -- families.
- o Finally, in seeking to improve the care for our children, we must resist the temptation to set up Government programs helter-skelter, the inevitable result of which is overlapping responsibilities and ever-growing bureaucracies.

STUDIES OF EARLY INTERVENTION AND CHILDCARE PROGRAMS

Question: Last year the Committee added $2 million to your discretionary fund for you to investigate and evaluate current early intervention programs. What can we expect to learn from these efforts?

Answer: We plan to fund two studies. The first study will provide a profile of the nature and extent of child care arrangements, such as family day care homes, parent cooperatives, Head Start, and other group care. It will also provide a basis for comparing child care arrangements in the U.S. with those in other countries. The study will focus on programs serving preschool children and will pay special attention to programs for disadvantaged children and to the educational components of child care.

The second study will have two parts and concentrate on the early education of disadvantaged children. The first part will identify and describe programs designed to improve the transition between preschool and elementary school, especially those programs and practices that show the most promise. The second part of the study will examine family education programs, particularly those that serve low-income families, and their role in promoting success in school.

In addition, we will hold a conference on early childhood issues in the fall of 1988. The purpose of the conference will be to identify the needs of young children and the relationship of public policy to those needs. The effects of early intervention on dropout prevention will be among the topics examined at the meeting.

QUESTIONS SUBMITTED BY SENATOR LOWELL P. WEICKER, JR.

OFFICE FOR CIVIL RIGHTS

WORKLOAD IMPACT OF CIVIL RIGHTS RESTORATION ACT

Question: Mr. Secretary, while your FY 1989 budget request for the Office for Civil Rights does propose an increase over 1988, your budget justification indicates that most of the increase will be used for the Federal pay raise. Program dollars to actually monitor and enforce our civil rights laws, therefore, are essentially funded at the 1988 level.

I have serious doubts, Mr. Secretary, that this budget will be sufficient to cover the OCR workload for FY 1989. I am particularly concerned about additional responsibilities OCR will be undertaking without additional funds. For example: first, as a result of the Civil Rights Restoration Act, the Office for Civil Rights has directed that all cases closed or narrowed due to the Grove City decision be reviewed and a determination made as to whether to reopen such cases. In March 1987, your own Department reported that there had been a total of 834 cases affected by Grove City. Any additional complaints filed since will also have to be reviewed. Second, the Office for Civil Rights' responsibilities to pre-clear applicants for magnet schools has expanded to include a determination of discrimination on the basis of sex and handicap as well as race. This expansion will clearly increase OCR's workload.

Finally, I understand the Department intends to keep to the timelines for complaint handling that were set forth in the Adams order. Since I understand you are below your FTE ceiling for OCR of 820, and virtually all of the increase requested will go for salary increases, how does the Department intend to comply with its responsibilities under the Civil Rights Restoration Act, the requirements of P.L. 100-297 with respect to magnet schools, and still keep to the Adams timelines for handling complaints?

Answer: We are always concerned about fulfilling our responsibilities for enforcing civil rights laws with respect to programs aided by Federal dollars. At this point, we are still assessing the 1989 workload and budget impact of the recently enacted Civil Rights Restoration Act. It was not passed at the time of our budget request.

Our budget request for 1989 assumes an employment level of 820 FTE. This will be an increase over the 807 FTE used in 1987 and the approximate 810 FTE it now appears will be used in 1988 under our reduced appropriation.

I should add that while OCR's 1987 end-of-year FTE was 807, we had the lowest number of pending complaints on record since automated records were kept--down 24 percent from the end of FY 1986. Also in FY 1987, the OCR compliance record within the Adams timeframes was 92 percent for complaints--marking the fourth year in which OCR has been above the minimum percentage of timeframe compliance required by the court. At the end of each of those years, the average age of all OCR pending complaints was below the maximum 225 days allowed by the court.

Even though complaint receipts during the first seven months of FY 1988 are up 8 percent over the same period in FY 1987, OCR's compliance rate under Adams has been 94 percent--higher than any fiscal year's rate since the 1983 Adams order. Due to dismissal of the Adams case in December 1987, OCR was required to meet the timeframes for only the first two months of FY 1988. Nonetheless, OCR continues to follow the timeframes.

WORKLOAD IMPACT OF HAWKINS-STAFFORD AMENDMENTS--H.R. 100-297

Question: Will you ask for a supplemental for the OCR in order to enable you to meet this increased workload?

Answer: The Department has not requested any additional OCR funds as a result of P.L. 100-297. The only change that might affect OCR is the requirement to check each Magnet School applicant for compliance with Section 504, Title IX and Title VI, as well as for consistency with any existing court ordered desegregation plan. This is not expected to require a significant increase in our staff. If our resources do not seem sufficient to carry out our responsibilities in FY 1989, we will consider requesting a supplemental.

Question: I would like to ask you about the number of staff you have on board at OCR. I note that the FTE level is projected to remain at 820, the same level as in FY 1988. First, how do you intend to meet the increased workload demands on OCR as a result of the expansion of the Magnet School preclearance process for applicants within the existing FTE ceiling?

Answer: Let me again state that in FY 1987 OCR's FTE was only 807. At that time, OCR had the lowest number of pending complaints since automated records were first kept. The number of pending complaints was down 24 percent from the end of FY 1986. OCR's review of Magnet School applicants has been a small portion of OCR's total workload. The required preclearance review of Magnet School applicants ordered under P.L. 100-297 is not expected to increase our workload significantly. In any case, it is too early to speculate on the real effect of P.L. 100-297.

Question: Second, with the 1,000 or so cases you will have to revisit as a result of the Civil Rights Restoration Act, and an additional 1,768 new complaints which you estimate for FY 1989, how will you manage within the existing ceiling of 820 FTE?

Answer: We expect to revisit approximately 600 cases as a result of the new law, of which we have already begun processing over 400. Even at this stage, however, it is difficult to ascertain to what extent the workload will be increased in either FY 1988 or FY 1989. Currently, we are operating efficiently at a level of 805 FTE. Furthermore, the April 1988 Adams timeframe complaint compliance rate was 97 percent.

CURRENT POSITION VACANCIES IN OCR

Question: How many vacancies do you have at present in OCR? How long have those vacancies been unfilled?

Answer: As of April 23, 1988, OCR had nine positions which were authorized to be filled, as follows:

Location	Job Title	Time Unfilled
Region I	- GS-14/905 Chief Civil Rights Attorney	7 months
Region II	- GS-15/340 Regional Director	2 months
Region III	- GS-14/340 Deputy Regional Director	6 months
Region VI	- GS-14/905 Chief Civil Rights Attorney	5 months
Region VII	- GS-15/340 Regional Director	1 year
Region VIII	- GS-14/905 Chief Civil Rights Attorney	1 year
Region IX	- GS-04/322 Clerical	6 months
Headquarters	- SES/905 Director, Policy & Eval. Ser.	3 months
Headquarters	- GS-05/303 Clerical	4 months

Question: How many of these vacancies are for positions involving the conduct of compliance reviews, complaint investigations, and technical assistance?

Answer: All of the professional positions listed above at some point would be involved with the conduct of compliance reviews, complaint investigations and technical assistance.

DEPARTMENTAL MANAGEMENT

PEER REVIEWS

Question: During last year's budget hearings the Committee questioned the Department of Education witnesses regarding a disturbing practice it discovered whereby a certain potential grantee was given the opportunity to recommend "peer reviewers" to consider their own grant application. Has this practice been halted so that no applicant is ever asked to participate in the selection of peer reviewers for their own projects?

Answer: Yes. The Department has established a policy which requires that "all programs which use reviewers' services for grant application evaluation must have written guidelines which assure that grant applicants have no opportunity to influence the selection of reviewers."

POLITICAL APPOINTEES

Question: Last August, a GAO report found that the Department of Education had the highest number of political appointees of any Federal agency. It found that the number of political appointees were 82 percent in the Department of Education between 1980 and 1986 while the rest of the Department's staffing levels declined significantly. Has this trend continued in FY 1987 and FY 1988? What is the percent increase of political appointees now compared with 1980?

Answer: In March 1988 the number of political appointees in the Department of Education stood at 170, the same as in December 1987, representing an increase of 58 percent above the 112 political appointees on-board in November 1980.

Question: What is the rationale for such an inordinately high increase in the number of political appointees in the Education Department?

Answer: In our report to this Committee, we compared the distribution of political appointee positions to those positions in the Departments of Health and Human Services and Labor. Despite the fundamental differences in employment levels and legislative purposes among the three agencies, we found that our Department's increase in political appointees has placed us at a level comparable to HHS and Labor in terms of the number of Presidential appointments confirmed by the Senate (PAS). Congress presumably established the Presidential appointments in laws to ensure a high level of policy involvement for leadership positions. As of January 1988, the ratio of political appointees to PAS appointees stood at 10:1 for Education, 12:1 for HHS, and 7:1 for Labor. Education has more legislatively-established Presidential appointees than the other two agencies but has about the average ratio of political appointees to PAS.

TRAVEL BUDGET

Question: A recent issue of Education Week documented in great detail the amount of traveling you have done as Secretary of Education. It stated, "He makes almost as many speeches before audiences external to education as he does at school, colleges and education associations. Often, Mr. Bennett schedules one school amid a half-dozen potential and other non-education events."

In FY 1987 you were reported to have spent more than 6 times as much on travel as did HHS Secretary Bowen who oversees an $428 billion agency. How much are you spending on travel in FY 1988 and to what extent are you diverting funds from other activities to compensate for congressionally imposed travel reductions?

Answer: As of the beginning of May, the total cost of my travel in FY 1988 has been $16,400. Let me assure you, no funds for any other activity in my agency have been diverted to compensate for the $597,000 travel cut in the Program Administration salaries and expense account under Section 512 of P.L. 100-202. We have absorbed the cut by reducing our travel, including my own which was 25 percent less than that spent in FY 1987 as of the beginning of May.

Question: Perhaps Mr. Carnes can explain what he meant in a quote in the Education Week article when he said, "It never mattered to us what the budget was (for travel)."

Answer: The quote in Education Week was taken out of context. Of course it matters to us what we have budgeted for travel. Travel, like other object classes, must be budgeted internally and justified to OMB as well as to Congress in the President's budget request. However, Congress's appropriation for salaries and expenses does not bind the Department to spend only the amounts estimated for each object class. For example, we may make more site visits or program reviews than planned, or per diem rates may increase which would increase the amount required in the object class for travel. Congress has also earmarked travel reductions long after our budgets have been prepared. In that context, "it does not matter" whether our obligations for travel match exactly what we budgeted for travel more than a year earlier and prior to enactment of the appropriation.

FOLLOW-UP TO A NATION AT RISK

Question: Just recently, amid the fanfare of a White House ceremony, you released the Department's latest publication, American Education: Making It Work five years after the release of Secretary Bell's highly acclaimed A Nation At Risk.

One is struck by many aspects of this booklet, such as its strong criticism of virtually every aspect of the education establishment, (teacher unions, school boards, state regulators, textbooks, etc.) and its complete lack of any mention of the federal role in education -- positive investments made, future contributions, etc.

But in terms of funding for education, you state that this year, the U.S. will spend about $309 billion on education. You go on to say, "In truth, we are spending enough on education to do the job well. The trouble is not our level of investment; rather it is the low rate or return we get for it".

FEDERAL LEVEL OF EDUCATION SPENDING

Mr. Secretary, may I be so bold as to suggest that currently at the Federal level it is the level of investment that is the problem.

How can you make such assertions when:

1) We are providing only 8% of the costs associated with educating the handicapped instead of the mandated 40%;

2) Under Chapter 1 we are serving less than 50% of those found to be eligible;

3) For every 1 persons served in a vocational rehabilitation program, 20 are waiting to be served; and

4) Literacy and adult education programs are grossly inadequate to meet the demand with waiting lists of several months long?

TOTAL EDUCATION EXPENDITURES IN THE U.S.

For the record, what percent of total education spending represents the Department of Education's share?

Answer: Total spending on education in the United States is estimated at $308.8 billion for school year 1987-88, an increase of $19.3 billion, or 7 percent, from 1986-87. Projected total education spending in school year 1988-89 is $327.2 billion. Total Federal expenditures as a share of this total education spending in each of these years are estimated at approximately 8.6 percent, with the Department of Education's expenditures representing approximately 6 percent of the total.

These estimates are detailed in the following table, which breaks out education spending by source and by level of education for each of these years.

Estimated Direct Expenditures for Education in U.S. 1/
(dollars in billions)

	1986-87 2/		1987-88 2/		1988-89 2/	
	Dollars	Percent	Dollars	Percent	Dollars	Percent
Source of Funds by Level						
Elementary and Secondary						
Federal 3/	$10.5	6.1%	$11.2	6.1%	$12.0	6.1%
(Department of Education)	(8.1)	(4.7)	(9.0)	(4.9)	(9.7)	(4.9)
State	78.7	45.4	84.0	45.5	89.0	45.4
Local	69.7	40.1	74.0	40.0	78.4	40.1
All Other	14.7	8.5	15.6	8.4	16.5	8.4
Subtotal, Elementary and Secondary	173.6	100.0	184.8	100.0	195.9	100.0
Postsecondary						
Federal 3/	14.5	12.5	15.6	12.5	16.2	12.3
(Department of Education)	(8.0)	(6.9)	(8.7)	(7.0)	(9.2)	(7.0)
State	34.9	30.1	37.6	30.3	39.9	30.4
Local	3.0	2.6	3.2	2.5	3.4	2.6
All Other	63.6	54.8	67.7	54.6	71.8	54.7
Subtotal, Postsecondary	115.9	100.0	124.0	100.0	131.3	100.0
All Levels						
Federal 3/	25.0	8.6	26.8	8.7	28.2	8.6
(Department of Education)	(16.1)	(5.6)	(17.7)	(5.7)	(18.9)	(5.8)
State	113.6	39.2	121.6	39.4	128.9	39.4
Local	72.7	25.1	77.2	25.0	81.8	25.0
All Other	78.2	27.0	83.3	27.0	88.3	27.0
Total, All Levels	289.5	100.0	308.8	100.0	327.2	100.0

Source: U.S. Department of Education, Center for Education Statistics, "Common Core of Data" and "Financial Statistics of Institutions of Higher Education," surveys and unpublished data. (This table was prepared February 1988.)

1/ Data revised from previously published figures.
2/ Projected.
3/ Includes expenditures of all Federal agencies.

NOTE: Federally supported student aid that goes to higher education institutions through students' tuition payments is shown under "All Other" rather than "Federal." Such payments would add substantial amounts and several percentage points to the Federal share. Because of rounding, detail does not add to totals.

ABSENCE OF FEDERAL ROLE

Question: In this highly critical report, American Education: Making It Work, the absence of mention of the Federal Government's role in education is striking since this is a publication of the Secretary of Education. For example, there is no mention made of those successful Federal programs which promote access to educational opportunity (Special Education) or enhance academic achievement (Chapter 1), etc. There is no mention made of how the Department could be more of an instrument of change or what the condition of education in the U.S. would be without such programs, even in the section entitled, "What We Can Do." One would think you were writing this booklet as a private citizen rather than the head of the Federal Education Department. In the remaining months of your tenure as Secretary of Education, isn't there a more constructive role you and the Department could play than to simply indict the education establishment and ignore the Federal Government's role in education?

Answer: As we have said many times, the role of the Department is to carry out the law and to administer Federal education programs effectively and efficiently. As Secretary, I am charged with the responsibility for administering the Department and its programs. In fact, carrying out the law and program administration is a responsibility of most Department employees, including 14 assistant secretaries, deputy under secretaries and other senior officials. We have never ignored this role and I'm proud that the Department has been running smoothly. In addition, we have made a number of fundamental legislative reform proposals, many of which have been adopted by the Congress, in the Chapter 1 and Bilingual Education programs, for example.

As a Cabinet-level official of the Administration, I have an additional responsibility, however, that only the Secretary can carry out. This is to make the condition of education a major public concern and to keep it in the forefront of the public's attention. This constructive leadership role has been, and will continue to be, one of my major concerns. In carrying out this role, I have spoken plainly and directly about what I see as the key issues in education today. I believe this style is appreciated by the public, and I am proud of my success in this area.

POLICY REVERSAL

Question: Well, Mr. Secretary, you appear to have had something of a death bed conversion regarding your Department's budget request for FY 1989. I believe it was just last year that you sought a 28 percent cut in the Department's funding, with student financial aid taking a 46 percent hit. A year later, you come before us seeking a 4.5 percent overall increase with student aid receiving 10 percent more.

Until this year, every one of your budgets sought significant cuts with numerous program eliminations. Now, while there still remain several areas of the budget on which we differ, I think it would be helpful for the Congress and the American people who have been battling for more education funding to know what accounts for this 180 degree reversal in requested funding?

Answer: Each year, the President puts together an overall budget which provides a certain amount we can spend. Within those constraints, each year we put together the best budget we can with the money we have to spend. Last year, Gramm-Rudman-Hollings targets were very tight. This year, there was more flexibility when we put together our budget.

I've always said the dollar amount isn't the main issue. Our request is still only 6 percent of total national expenditures on education. The important point is how well the money is spent. I've been willing to spend more so long as it is spent wisely, with accountability.

PROPOSED ACCOUNTABILITY MEASURES IN FEDERAL EDUCATION PROGRAMS

Question: In your press release to accompany the FY 1989 budget, you indicate that "our budget for FY 1989 does spend more, but more important, it also spends better." How does it "spend better," Mr. Secretary?

Answer: Our FY 1989 budget proposes to spend better by seeking to increase accountability for results in our education programs. Our 1989 budget and legislative program proposes to extend the accountability principle, advanced by the Department and adopted by Congress in the recent reauthorization of elementary and secondary programs, to other programs.

Question: For which programs are you seeking such program accountability measures?

Answer: The accountability principle can and should be applied to vocational education and student financial assistance. In the vocational education program, we seek to strengthen State responsibility for setting standards. Amendments to the Perkins Act will require States to develop specific performance standards for their local vocational programs (relating to student's attainment of basic skills, job placement, and other State-determined priorities) and to use these standards in making decisions about initial or continued funding of programs.

In the Supplemental Opportunity Grant and College Work-Study programs, we seek to establish a new institutional performance accountability system. Annual institutional allocations would be tied to each school's success in meeting institutionally determined student outcome objectives on such areas as job placement and program completion.

Other general student aid accountability measures include proposed regulatory changes to the Guaranteed Student Loan program to hold schools more accountable for high default rates of students; proposed new regulatory criteria for accreditation; proposed reduction in loan insurance for lenders from 100 to 90 percent; proposed reduction of Federal local reinsurance paid to guarantee agencies from the current 100/90/80 percent to 90/80/70 percent; proposed use of the Student Loan Data System to prevent defaults; and proposed repeal of the ability to benefit eligibility option.

Question: Since it is highly unlikely that such legislative changes will be adopted by Congress soon--if at all--do you stand by your original budget request for FY 1989 absent such new "accountability" provisions?

Answer: Well, I disagree with your premise. I believe there is support in the Congress for increasing accountability. Some actions have already been taken and others are pending. There were accountability improvements in the recently enacted elementary and secondary reauthorization bill (P.L. 100-297). There's also support for similar improvements in other areas. Student aid is one example. Many people, both in and out of Congress, are looking for ways to reduce student loan defaults, to preserve these programs for future generations. We have a number of proposals designed to help make institutions of higher education, lenders, and guarantee agencies more accountable. I believe some of these will be adopted. In addition, I'm sure the Congress will add changes of its own; but I believe there's a growing consensus that more accountability is needed. We see it all across the country, for example, in merit pay proposals at the elementary and secondary level. The Individual Development Plan for the education of handicapped children is another example. This increase in support for accountability is one of our best guarantees that additional monies spent for education will be well spent. And the public supports this.

STUDENT AID LOAN DEFAULTS AND DECLINE IN MONITORING ACTIVITIES

Question: On Friday, the Department sent to Congress a set of legislative proposals aimed at cutting student loan defaults and eliminating waste in Federal Student Aid Programs. No one would argue that there isn't a serious Guaranteed Student Loan default problem which needs addressing on a variety of levels. But isn't part of the problem the reduction in the number of institutional management reviews conducted by the Department? Since 1981, haven't the number of institutional reviews under the Student Aid program, as well as lender agency reviews, conducted by the Department gone down significantly? What is the reason for such decreases in reviews?

Answer: The Department has taken steps to increase the resources devoted to monitoring activities. The student financial aid regional offices were reorganized in fiscal year 1987 to make the most efficient use of available staff resources. Travel funds for the regional offices were increased from prior year levels in fiscal year 1987 and again in fiscal year 1988.

Regulations for the Guaranteed Student Loan Program published in November 1986 now require the guarantee agencies to conduct reviews of their largest schools and lenders participating in the GSL program, thus increasing the overall monitoring of those institutions and reducing Federal requirements in this area. In addition, verification requirements have reduced the need for institutional reviews, and private training opportunities have emerged which have improved institutional administrators' capabilities.

LITERACY PROGRAMS

Question: Tell us about the Department's commitment to addressing the illiteracy crisis facing the Nation when recent estimates indicate that as many as 27 million adult Americans are functionally illiterate?

In a proposed budget which adds $32 million to adult education programs but also:

Eliminates literacy training of homeless adults..	$7,200,000
Eliminates workplace literacy partnerships.......	9,500,000
Eliminates library literacy programs.............	4,800,000
Eliminates ACTION's literacy corps...............	2,800,000
Reduces other library programs by................	54,000,000
Total..	78,300,000

How adequate is the Federal Government's effort in this area?

Answer: Our commitment to eliminating the problem of adult illiteracy is stronger than ever. The budget figures you cite misrepresent the degree of Federal commitment to literacy services. The library programs you mention, other than library literacy, do not provide literacy training but instead provide general assistance to libraries. The elimination of the other literacy-related categorical programs is more than offset by the $32 million increase we are requesting for Adult Education Grants to States.

LITERACY TRAINING FOR HOMELESS ADULTS

Question: What information do you have as to the extent to which the new homeless literacy program duplicates the regular adult education program?

Answer: The homeless adults targeted by the Literacy Training for Homeless Adults program can be served by the Adult Education Grants to States, the request for which has been increased to more than offset the elimination of funding for this program. We will continue to encourage the States to give special consideration to the literacy needs of homeless adults. A separate categorical program is not needed.

Question: Isn't duplication your rationale for eliminating the homeless literacy program?

Answer: Total funding for the homeless in the 1989 Federal budget exceeds funds available in 1988. The Administration is requesting funding for programs targeted to the homeless administered by HUD, HHS, the Veterans Administration, FEMA, and the USDA. In addition, funds are being requested for the Interagency Council for the Homeless to coordinate and monitor all Federal programs serving the homeless. Specific funding to help the homeless is better directed to programs that meet critical needs of these individuals in such areas as housing and health care.

PROPOSED RESTRUCTURING OF LIBRARY PROGRAMS

Question: What currently funded library programs would not be supported under your proposed restructuring of library programs at the $76,000,000 level?

Answer: None of the current programs are supported in our fiscal year 1989 budget. Only those aspects of current library programs demanding a continued Federal role have been incorporated into our proposed Library Improvement Act of 1988.

DISCRETIONARY FUNDS REQUEST

Question: As I understand it, substantial changes were made in the statute concerning the functioning of your discretionary accounts as a result of the recently enacted P.L. 100-297, the Elementary and Secondary Education Amendments.

Is it not true that such changes include:

1) Elimination of the Secretary's Discretionary activities under the Chapter 2 Block Grant.
2) A reduction by more than 50 percent of the Math/Science Discretionary account.
3) The creation of the new Fund for Innovation in Education.

Tell us about your revised budget request for discretionary activities based on these legislative changes. How much in total will you be requesting for the new Fund for Innovation in Education and Math/Science Discretionary Fund, and how does that compare with the amount you have for discretionary activities in fiscal year 1988? Will there be more or less available than in fiscal year 1988?

Answer: In 1989 we are requesting $4,570,000 for the Fund for Innovation in Education and $4,787,000 for National Programs under Title II of EESA, for a total of $9,357,000 for both programs. In 1988, $4,691,000 was appropriated for the Chapter 2, Secretary's Discretionary Fund and $10,771,000 for Programs of National Significance under Title II of EESA, for a total of $15,462,000. This represents a reduction of $6,105,000, or more than one-third, from the 1988 appropriation to the 1989 request.

EXCELLENCE IN EDUCATION PROGRAM AND FUND FOR INNOVATION IN EDUCATION

Question: What are your plans for using unobligated balances from the Excellence in Education program to fund discretionary activities?

Answer: We are requesting that unobligated balances from the Excellence in Education program, which was repealed by the Hawkins-Stafford amendments, be transferred to the Fund for Innovation in Education. They will be used for promising and innovative projects and initiatives at the elementary, secondary, and postsecondary levels. Initiatives in such areas as the alternative certification as teachers of persons who are already skilled in subject areas, and new applications of technology to classroom instruction would be supported.

Question: How much would be available and would that require statutory supplemental appropriations language to transfer these funds to these discretionary activities?

Answer: Slightly more than $4,500,000 remains available until expended. The appropriation language necessary to make the transfer is included as part of the 1989 Education Department Budget submission transmitted subsequent to passage of the Hawkins-Stafford amendments.

EDUCATION FOR THE HANDICAPPED GRANTS TO STATES: FEDERAL FINANCIAL SHARE

Question: I would like to remind you of a statement contained in the 1984 Republican platform regarding the Federal responsibility for educating handicapped children. That statement said, "We will work toward providing Federal funds to State and local governments sufficient to meet the degree of Federal participation promised in the law." As you know, the law to which that statement refers is Public Law 94-142, the Education for all Handicapped Children Act. P.L. 94-142 authorized an increasing Federal financial contribution towards the cost of educating handicapped students -- a contribution which was to have reached 40 percent of the average cost of educating all children by the end of fiscal year 1981.

As you know, the Federal commitment has never gone higher than the 12 percent level which was generally the rule in the late 1970s. This year, the budget proposes to maintain a Federal contribution of only 8 percent -- which once again makes hollow the commitment to funding special education promised in law and envisioned in the Republican platform just four short years ago.

What has happened to the pledge to work toward tne 40 percent Federal contribution to special education set forth in the law?

Answer: It is true that the Federal share of the cost of educating handicapped children has not yet achieved the maximum level of 40 percent of the average per pupil expenditure authorized under the Education of the Handicapped Act for fiscal year 1982 and thereafter. Despite funding increases every year, appropriations since 1982 have represented a Federal share of the average per pupil expenditure that has ranged from a high of about 10 percent in 1982 to a low of 8 percent in 1986. For most years since 1982, the Federal share has represented about 9 percent of the average per pupil expenditure. Our budget request maintains this 9 percent Federal share. Inflation, continuing growth in the number of handicapped children served, and the need for budgetary restraint have probably contributed to a Federal share that is much lower than the percentage anticipated when P.L. 94-142 was first enacted. We agree that Federal funding for special education should be a budgetary priority and that we should continue to work toward the goal of increasing the Federal share.

FEDERAL RESPONSIBILITY FOR AIDS EDUCATION

Question: Mr. Secretary, I understand that when you testified before the President's Commission on AIDS you indicated the Department of Education "had not seen one cent from the Congress" for programs to educate the Nation's students on the dangers of AIDS. I understand you went on to say "the Department had not requested dollars (for AIDS education programs). The "reason you mentioned it," you said, "was not to pout or complain about dollars, only then when Congress turned to you and said, we need to hear something about education and AIDS and then did not give you any where-with-all to do it, that was a bit of a problem."

Mr. Secretary, when did you ask for the where-with-all? And when did the Congress tell the Department to do something about education and AIDS?

We did talk to Dr. Koop and Dr. Mason and the scientists at the NIH and the Academy of Sciences. And whenever they asked for AIDS research or education money Congress delivered. In fact, we consistently appropriated double the amount requested by the President.

DEPARTMENT ROLE IN AIDS EDUCATION

Answer: The Department of Education has been active in AIDS education and related activities, but we do not believe it appropriate or necessary to establish programs that would duplicate those already underway at the Department of Health and Human Services. For several years now, Congress has provided funding to the Department of Health and Human Services for AIDS education. HHS' AIDS education initiative is coordinated with their other AIDS information programs, and is informed by research and surveillance work at the Centers for Disease Control, National Institutes of Health, and the Alcohol, Drug Abuse, and Mental Health Administration.

We have cooperated with the Public Health Service in development of AIDS education policy. I have worked with Surgeon General Koop to develop a set of principles to guide AIDS education in school. Department of Education staff participated in development of the Public Health Service's AIDS Education/Information Plan, reviewed PHS' Guidelines for Effective School Health Education to Prevent the Spread of AIDS, and evaluated curriculum materials for the Centers for Disease Control.

In response to requests from the education community for specific guidance, we prepared a booklet, AIDS and the Education of Our Children: A Guide for Parents and Teachers, which has been widely used by schools and others seeking to develop AIDS education policy and materials. The Department has received requests for more than 2 million copies -- from principals, superintendents, teachers, parents, PTAs, educational organizations, and physicians.

A key concern in the fight against AIDS is the spread of infection through use of intravenous drugs. We are trying to reduce and eliminate all types of drug use by school children and youths. We published Schools Without Drugs, a synthesis of reliable information on drug use by young people and how it can be stopped. Over 1.9 million copies of this booklet have been distributed. We begun a Challenge Campaign, in which local districts and schools are encouraged to sign compacts with representatives of school, home, and community to support a program based on the principles in Schools Without Drugs. Finally, we administer grant programs authorized under the Drug-Free Schools and Communities Act, and have requested $250 million for the program in FY 1989, an increase of $20 million over the FY 1988 appropriation.

My comments before the President's Commission on AIDS were intended to clarify that questions about Federally-funded AIDS education programs should be directed to the Secretary of Health and Human Services. Both our departments have a very direct interest in educating young people about AIDS. Both Secretary Bowen and myself are convinced of the critical importance of AIDS education.

RELATIONSHIP WITH MR. W. DAVID STEDMAN

Question: What is your relationship with Mr. W. David Stedman and the Stedman Foundation of North Carolina?

Answer: I have no particular relationship with Mr. Stedman or his foundation. However, as part of a Louisiana project on teaching the Federalist Papers in Louisiana high schools, I allowed myself to be taped teaching Federalist Paper No. 10 in several of my visits to high schools across the country. I understand Mr. Stedman supported the cost of producing the Louisiana videotape.

Question: What involvement does Mr. Stedman have in the Department of Education's promoting the study of the Constitution, the Declaration of Independence and, particularly, the Federalist Papers?

Answer: I have felt strongly for a long time that there is a need for American students to understand our American system's founding documents. I have had a keen interest in the Federalist Papers and, for example, selected Paper No. 10 as a topic to teach high school students in my visits around the country. Mr. Stedman apparently also believes that American students need a better knowledge of our founding principles and documents. I understand he was instrumental in encouraging Senators Dole, Pell, Adams, and Simon to sponsor the bipartisan Concurrent Congressional Resolution calling for State and local governments and local educational agencies to include among the requirements of secondary school graduation a thorough knowledge and understanding of our Nation's founding documents. Mr. Stedman did contact a number of Department officials urging us to send a letter endorsing the Concurrent Resolution, which we did, on its merit.

INVOLVEMENT OF DR. PETER GREER

Question: What is the relationship of Dr. Peter Greer, Under Secretary of Education for Intergovernmental and Interagency Affairs, with Mr. Stedmen and Mr. John Baker of the Louisiana State University?

Answer: Dr. Greer met both Mr. Stedman and Mr. Baker in connection with the taping of the Secretary as part of the Louisiana project to teach the Federalist Papers to Louisiana high school students. Dr. Greer was asked to review the tape. As part of the Department's celebration of the Bicentennial of the Constitution, Dr. Greer sponsored a luncheon seminar series on the Federalist Papers for ED employees. Mr. Baker was invited as a speaker at one of the seminars. Dr. Greer shares with Mr. Baker an interest in teaching teachers and students about the Federalist Papers. In addition, as part of his outreach role for the Department, and as follow-up to the Concurrent Resolution, Dr. Greer and his staff have been in contact with many individuals and groups, including Mr. Stedman and Mr. Baker, concerning how to encourage schools to teach the basic American documents and how to provide teachers with appropriate materials. Dr. Greer and his office are involved in outreach discussions on many subjects, including illegal drugs, AIDS, and moral literacy.

DEPARTMENT STUDY OF THE FEDERALIST PAPERS

Question: Has the Department of Education funded any programs for the study of the Federalist Papers or the development of curriculum materials on the Federalist Papers?

Answer: The Department announced on May 18, 1988, in the Federal Register, a new competition under the Law-Related Education program for civics-related projects focusing on the bicentennial of the U.S. Constitution. Within this priority, applications that will lead to a greater knowledge and understanding of "The Federalist Papers" are encouraged.

Question: Have any Department of Education grants gone to projects administered or sponsored by Mr. W. David Stedman or the Stedman Foundation?

Answer: No ED grants have gone to Mr. Stedman or his foundation. However, he has every right to apply for an award under any program for which he is eligible under the law.

VIEWS OF MR. STEDMAN

Question: Are you aware of the writings of Mr. Stedman that outline his philosophy and extremist views of Constitutional interpretation?

Answer: Mr. Stedman gave me a copy of his book, Our Ageless Constitution. I do not believe that Mr. Stedman's views of Constitutional interpretation can be fairly described as extremist. However, nothing that I or other members of the Department have done in cooperation with Mr. Stedman involved advancing his personal views about the Constitution or its interpretation.

Question: Should the Department of Education be promoting these views through its programs?

Answer: The Department is in no way promoting Mr. Stedman's views or his book. The Department is prohibited by its authorizing statute from exercising any direction, supervision, or control over curriculum, programs of instruction, or the selection or content of library resources, textbooks, or other instructional materials by any educational institution or school system.

QUESTIONS SUBMITTED BY SENATOR PETE V. DOMENICI

P.L. 100-297 PROGRAMS TARGETED ON CHILDREN "AT RISK"

Question: The Department of Education has within its purview many programs targeted to meeting the needs of so called "at-risk" children, including children that are educationally disadvantaged, children at risk of dropping out of school, children at risk of becoming pregnant, or substance abusers.

P.L. 100-297, signed into law just two weeks ago, includes many new programs and a significant increase in authorizations for existing programs targeted to this critical at risk group. In my mind, many of these programs seem to overlap. That is, the child at risk of dropping out of school may also be at risk of becoming a substance abuser.

What programs and efforts exist at the national level, through the Department of Education, to assure that services to these children are being coordinated and not duplicated?

Answer: We agree that many of the programs in P.L. 100-297 have overlapping purposes. That is why our budget concentrates most funds for at-risk children in the Chapter 1 program, where school districts have the flexibility to design programs for children most in need.

The dropout program does not really overlap with other programs, since it is a short-term program for demonstration purposes only. Indeed, we hope this program will serve a useful purpose by helping school districts learn more about what works in preventing students from dropping out of school. School officials should be able to incorporate lessons learned from this program -- through our planned national evaluation -- into their regular Chapter 1 programs and other programs serving at-risk children.

ACCOUNTABILITY IN DRUG-FREE SCHOOLS AND OTHER P.L. 100-297 PROGRAMS

Question: Many of the programs being funded at the State and local levels are demonstrations. Quite frankly, it seems that we are only now beginning to understand what works when we talk about programs to help dropouts or substance abusers.

What accountability mechanisms exist at the Federal level to assure that the Federal funds are being used in programs that work? How can State and local educators be better accountable for the use of Federal funds? What programs are working? Which ones aren't?

Answer: We share your concern that Federal funds for education be used for programs that show results. We have proposed a number of accountability measures for the programs we administer, and we are very pleased that the Congress has adopted some of these proposals.

For the Drug-Free Schools program, each LEA will now be required to prepare a progress report documenting the extent to which it has achieved its objectives during the first two years of the program. If the SEA determines, from this report, that an LEA is not making reasonable progress toward accomplishment of its objectives, the SEA will be required to provide technical assistance to the LEA. While this provision provides some accountability in the program, we strongly prefer the Drug-Free Schools and Communities amendments passed by the Senate in S.J. Res. 26 and reintroduced as part of S. 2205 by Senator DeConcini and more than 70 co-sponsors. Under this proposal, if an SEA finds that an LEA is not making progress toward its objectives, the SEA would instruct the LEA to modify its program so as to give reasonable assurance that progress would be made. If the LEA did not submit a satisfactory plan for a modified program within 90 days, the SEA would be authorized to reallocate the LEA's funds to other applicants.

In addition to the State accountability measures, the Department also makes an effort to tell States and localities what we know about what works and what doesn't. For example, the Department's handbook "Schools Without Drugs" contains a synthesis of the most reliable and significant findings on what works and outlines a proven plan for achieving drug-free school environments.

In June of 1988 we will begin a two-year study of the implementation of the Drug-Free Schools and Communities Act. The primary purpose of the study is to learn how programs funded under the Act are being planned, administered, implemented, and evaluated in order to assess the impact of the legislation.

In addition, our report to Congress on the Nature and Effectiveness of Federal, State, and Local Drug Prevention/ Education Programs reported that evaluations of prevention programs show mixed results. Traditionally, most prevention programs have focused only on the individual in an attempt to remedy perceived deficiencies of knowledge, coping skills, or behavior. More recently, prevention has begun to address the individual within the context of peers, families, schools, and communities. The report indicates that comprehensive programs that address a number of factors influencing drug use are likely to hold the most promise for prevention, while prevention efforts that focus on only one or two factors are unlikely to be successful.

ACCOUNTABILITY IN CHAPTER 1, VOCATIONAL EDUCATION, AND DROPOUT PREVENTION

P.L. 100-297 also brings a measure of accountability to Chapter 1 by requiring that SEAs work with LEAs to develop and implement program improvement plans if local efforts to bring about improvements to student academic performance are unsuccessful after one year. The new law also authorizes payments to States to assist school districts in correcting problems with local projects.

For vocational education, the Department has just submitted a bill to the Congress that would foster accountability by requiring States to develop performance standards for measuring basic skills achievement and job placement and to take those standards into account in approving or disapproving local applications for funding.

We are also very hopeful that our evaluation of the Dropout Prevention Demonstration program will yield badly needed information on what works in preventing dropouts or in encouraging those who have already dropped out to resume their schooling.

EMPHASIZING ACCOUNTABILITY THROUGH REGULATIONS

Finally, in developing regulations for all the new and newly reauthorized programs in P.L. 100-297, we plan to emphasize accountability to the greatest extent allowable by the various authorizing statutes.

DROPOUT PREVENTION AND EVEN START PROGRAMS

Question: It seems to me that we have an awful lot of smaller targeted programs for this at-risk population. P.L. 100-297 authorizes $50,000,000 for dropout prevention, $26,000,000 for

English Literacy Grants, $50,000,000 for "Even Start", and $25,000,000 for child development centers, to name but a few.

On average, what will be the grant to each State for dropout prevention? For "Even Start"?

Answer: Under the dropout demonstration program, we have a 1988 appropriation of $24,000,000. These funds will be awarded on a competitive basis primarily to local school districts, but also to community-based organizations and educational partnerships. Since these awards have not yet been made, we do not know the size of the grants. Depending of the size of the school district, we are currently estimating that awards will range from $50,000 to $500,000.

No funds have been appropriated for Even Start, and we have not requested any funds for 1989, preferring instead to increase the funds available for regular Chapter 1 programs.

DROPOUT PREVENTION FUNDING REQUEST

Question: Is this enough to make a difference, or would we be better off putting this money into a program such as Chapter 1, that is also targeted to a very vulnerable and at-risk group?

Answer: For dropout prevention, we are requesting $21,000,000 in 1989 -- just enough to continue all the projects for their second and final year and to support the national evaluation of the program required by the authorizing statute. After that, the program will have served its purpose and, we agree, funds and activities should then be concentrated in Chapter 1.

OFFICE OF INSPECTOR GENERAL

STATEMENT OF JAMES B. THOMAS, JR., INSPECTOR GENERAL

ACCOMPANIED BY MITCHELL L. LAINE, ASSISTANT INSPECTOR GENERAL FOR AUDIT SERVICES

PREPARED STATEMENT

Senator CHILES. We will next receive testimony from Mr. James Thomas, the inspector general for the Department of Education who has held this post since 1981.

Mr. Thomas and his staff are responsible for monitoring the administration of over $20 billion in education programs. These programs, with millions of recipients and thousands of intermediary agencies, will be very vulnerable to mismanagement, waste, and fraud. We look forward to hearing about the inspector general's activities in auditing education expenditures and aggressively monitoring management. —

Mr. Thomas, if you will proceed with a summary of your remarks, your full statement will be introduced in the record.

[The statement follows:]

STATEMENT OF JAMES B. THOMAS, JR.

Thank you for the opportunity to discuss our fiscal year 1989 budget request for salaries and expenses of the Office of Inspector General.

The Office of Inspector General was established to promote economy and efficiency and to detect waste, fraud, and abuse in Federal education activities. We have the authority to inquire into all programs and administrative activities of the Department and related activities of all parties performing under contracts, grants, and other agreements with the Department. About 90 percent of our investigations opened and 35 percent of our audit workload involve the Department's postsecondary student aid programs. We play a key role in the Department's efforts to reduce defaults and other abuses of the student aid programs through selective audits and investigations of participating schools and lenders. Investigations of proprietary schools have led to recoveries to the Department of significant amounts of misused funds, including about $22 million in 1987 for one large school. Continuing investigations of other nationwide chains of proprietary schools may lead to litigation and additional recoveries.

FISCAL YEAR 1989 REQUEST

For 1989, we are requesting $17.9 million, an increase of $540,000 in obligational authority above our 1988 operating level, and 320 full-time equivalent employment [FTE] the same as our 1988 ceiling. As in 1988, we will again focus most of our attention on investigations and audits of schools, lenders, and others participants in the student aid programs. In 1988, the FTE ceiling is a 15-percent increase above the 1987 usage and it is designed to enable us to increase our response to the loan default and proprietary school abuses. The 1989 staff level of 320 FTE will help us to continue these initiatives.

Approximately 80 percent, or $431,000, of the net increase in 1989 is for salaries. These funds are to cover annualization of the 1988 pay raise, a 2-percent pay raise for 1989, within-grade increases for GS employees, and merit pay increases for employees under the merit pay system. Also included in this increase are funds to cover the additional cost for career ladder promotions and benefits for the Federal Employees' Retirement System. The remaining portion of the increase will support increased operational costs, including increases for health unit and guard services, equipment, and supplies, including the purchase of office furniture to accommodate the lower average space per employee.

FISCAL YEAR 1987 ACCOMPLISHMENTS—AUDITS

In 1987, we issued or processed 3,405 audit reports prepared by non-Federal auditors on departmental operations, grantees, contractors, and other participants in Department programs. We also issued reports prepared by OIG staff which included 51 program audits, 37 preaward audits, 26 audits of departmental contracts, 24 internal audits of departmental operations, and provided technical assistance in 130 cognizant assignments under Office of Management and Budget Circular A-128. The audit reports recommended disallowances of $81 million in costs and questioned costs totaling $108.8 million. Recoveries of funds, including interest and penalties, totaled $26.1 million. We estimate that if recommendations for improving management and program procedures included in the audit reports are implemented, the result would be more efficient use of approximately $129.8 million in program and administrative funds.

FISCAL YEAR 1987 ACCOMPLISHMENTS—INVESTIGATIONS

In 1987, 693 investigations and inquiries were completed. Those investigations that substantiated criminal wrongdoing resulted in the referral of 212 cases to prosecutors, of which 118 were accepted for prosecution. Additionally, our investigations led to 98 indictments, 84 convictions and pretrial diversions, and 9 civil filings. Investigation activities also resulted in: fines of $31,750; restitution orders of $603,093; recoveries of $150,430; collections of $225,097; and civil judgments of $22 million. Recommendations for improving management and program procedures, if implemented, would result in more efficient or effective use of funds totaling $584,888.

In 1987, we closed 110 hotline complaints. Of the number of complaints closed, 30 were substantiated and resulted in corrective actions by the Department. We also reviewed 570 legislative and regulatory documents, as well as departmental policy documents and reports to the Congress.

Mr. Chairman and members of the committee, this concludes my statement. I will be happy to respond to any questions the committee may have.

BIOGRAPHY OF JAMES B. THOMAS, JR.

Position: Inspector general.

Birthplace and date: Tallahassee, FL, March 16, 1935.

Education: B.S. business administration, Florida State University, 1957; graduate study, Florida State University, 1957-60; Federal Executive Institute, Charlottesville, VA, 1973; and graduate study, Southeastern University, 1979.

Experience

Present: Inspector general, Department of Education (deputy inspector general from January-March 1981).

1977-80: Director, Bureau of Accounts, Interstate Commerce Commission.

1975-77: Inspector general, U.S. Department of Housing and Urban Development.

1972-75: Assistant Director, Bureau of Accounts, Interstate Commerce Commission.

1960-71: Trainee through Assistant Director, Audit Operations Division, U.S. Department of Housing and Urban Development.

1959-60: Senior auditor, office of the State auditor, Tallahassee, FL.

1959: Auditor, J.D.A. Holley & Co., CPA firm, Tallahassee, FL.

1958: Special auditor, office of the State comptroller, Jacksonville, FL.

Professional qualifications: Certified public accountant, Florida, since 1962; certified internal auditor, since 1973; and lecturer, Southeastern University, interagency Auditor Training Center.

AUDITS BY NON-FEDERAL AUDITORS

Mr. THOMAS. Thank you, Mr. Chairman. It is a pleasure to be here. With your permission, I will submit the statement for the record, bypass the summary and go right to your questions if you like.

Senator CHILES. All right. You heard some of the questions I was asking today in regard to this auditing and looking at these private proprietary schools and then some of the others that are getting much of the Pell funds and other student loans. We are seeing how poor a record many of them have, not only in how they are handling these funds, but also I think, in the education they are putting out there.

What are you able to do in auditing those? Do you have sufficient money and people to do that?

Mr. THOMAS. There are a couple of ways to answer that, Mr. Chairman. One way is that the Department regulations in implementing the law require that there be a biennial audit of the student aid program at each participating school by a non-Federal auditor, usually a certified public accountant.

We spend a great deal of our time in carrying out the Inspector General Act of 1978, assuring ourselves that those audits by non-Federal auditors are done in accordance with generally accepted governmental audit standards. It is unfortunate, though, that what we find is that the quality of those audits is not up to par. Your colleagues and other committees on the Hill have been holding hearings, particularly Congressman Brooks on the House side, looking at the quality of Government audits. It is of tremendous concern to us.

We spend a great deal of our time trying to improve upon that quality. We find, for example, that under our responsibilities under the Inspector General Act, we do what we call a desk review of each of the reports that come in from these schools done by CPA's. Then we do what we call quality control reviews. That is a work-paper review of the individual CPA's work papers on a selected test, usually about 5 percent.

On those work papers that we do quality control reviews of, we find that over one-half of them, usually 52 or 54 percent, are what we would call substandard audits.

Senator CHILES. You just make an arbitrary cut of 5 percent and do a quality control?

Mr. THOMAS. It is not completely arbitrary. In 1987, about one-half of the 5 percent, Mr. Chairman, were selected because we saw indications in our review of their reports. The other one-half of the 5 percent were done randomly. So there is a good indication that it is representative.

Senator CHILES. I could understand where you would have a high number of those you select. How about the ones that are done randomly, the 2.5 percent? Can you give me any figures as to how many of those are turning out sour?

Mr. THOMAS. Yes, sir; the numbers go up 10 percent, and down 10 percent as a general rule. From those that we select judgmentally because we see an issue in the report, the percent of problems is in the 60 percent range; of those that we select randomly, it drops to 40 percent.

Senator CHILES. Still very high.

Mr. THOMAS. Very high. Yes, sir; this is an indication to us that it is fairly representative. It is not a statistically valid sample, so we cannot extrapolate to the universe. It indicates to us that there is a very high percentage of poor quality audits.

We are trying to combat that, Mr. Chairman. We recently issued a new audit guide to be followed by these CPA's. We have written letters to all the CPA's around the country who we have records on, who have done audits for the Department in the past. We are making available to them a 1-day training program. We have already signed up about 1,500 of these certified public accountants around the country. This training program will start next week. We are anticipating that this should make a significant impact on this quality issue.

SANCTIONS AGAINST AUDITORS

Senator CHILES. What is the sanction, or policing, or penalty against the CPA who does not do his job?

Mr. THOMAS. It is twofold. One is when the report comes in and we find it is unacceptable for the program manager to be able to use it effectively, we send it back to the school and tell them the report is not satisfactory and does not comply with the requirements of the law.

The second thing we do is, if we find extreme bad cases, we refer those practitioners to State boards of accountancy for a look at their licenses, and also to the American Institute of CPA's for appropriate sanctioning action. We just had 13 such CPA's referred in the last 6 months by our office to those two agencies just mentioned. This is the largest number we have referred in a single 6-month period.

Senator CHILES. It seems to me there has got to be some penalty or some sanction out there that they need to be concerned about. We know that we try to crack down on the IRS when they are doing things wrong.

Mr. THOMAS. Some sanctions that we have been getting, Mr. Chairman, are that some of the CPA licenses have been suspended; some CPA's have been fined, and some have been required to take additional training.

Senator CHILES. Has that been widely publicized?

Mr. THOMAS. It has been publicized in the professional journals. Yes, sir; in the case of the American Institute of CPA's, what they have done is require additional continuing education. They have publicly sanctioned and issued administrative reprimands to some CPA's. They have also required independent review of work done by CPA's before those reports could be issued. Those things are announced. When they are public sanctions, they are announced in the literature, and it does get around. Then, of course, we are frequently asked to go out and speak to accounting groups, and we do that.

Senator CHILES. It would seem to me that what this is telling us is that 5 percent perhaps is not enough to look at. I mean, if you are getting 40 to 60 percent, or an average of 50 percent of a turndown or poor quality work on that 5 percent, that pretty well indicates to me that your number is too low.

Mr. THOMAS. I agree with you. Sitting with me today is Mitchell Laine, who is the Assistant Inspector General for Audit. I have directed Mitch, for this year's program, to increase that 5 percent up to about 8 percent.

Again, we are in a constant issue of priorities. We have allocated for this program about 22 to 23 percent of our staff at the present time for the 1988–89 year. We will know, with the 8 percent, whether it continues to show that high a rate or higher. We will also be able to see within this next year the impact of the training we are providing to these individuals who do audits for us.

Senator CHILES. In the next budget year, you are saying you are going to go to 8 percent?

Mr. THOMAS. In the audit year, not in the budget year.

Senator CHILES. When does the audit year start?

Mr. THOMAS. The audit year started in October 1987 and goes to October 1988. We are increasing it to 8 percent during this current year.

Senator CHILES. During this current year?

Mr. THOMAS. Yes, sir; it is a reallocation of resources.

PROPRIETARY SCHOOLS

Senator CHILES. Are there other things that we should be doing in addition to that? Are we doing any sort of audits from scratch, in which you go out there, and do something, regardless of what the CPA's have done?

Mr. THOMAS. Yes, sir; we do a great deal of that, Mr. Chairman, both on the audit side and on the investigative side. On our audit side, we spend about 35 percent of all of the audit effort in proprietary schools alone. We find significant kinds of problems out there.

On our investigative side, with individual investigations, that number goes up to about 85 percent of all the time we spend. In the last 4 or 5 years we have done, outside of the CPA involvement, about 65 audits of proprietary schools. That effort is continuing as well as the others. Usually these are ones that come to our attention because there is some kind of a problem present. We go out and take a look based upon that.

Senator CHILES. Do you think we are doing enough of that?

Mr. THOMAS. It is always hard to tell, Mr. Chairman. It is difficult to keep up with the flow of events because as recently as 1982, there were only 1,700 proprietary schools, whereas today there are about 2,800. You can see, by the sheer growth alone, the need for the impact we are able to make is consistent, and it is strong.

Are we hitting enough or not? The audit and investigative functions in the agencies around Government are a level of effort. What we try to do is make the greatest possible impact with the level we have available to us, both on audit and on investigation. We switch those priorities. We sometimes allocate staff to audit and sometimes to investigation, depending upon what we are involved in at that point in time.

TRAVEL FUNDS

Senator CHILES. I think travel expense would be a fairly important part of the inspector general's budget. You need to have those auditors out in the field identifying the problems out there.

I was surprised to see you have requested only a freeze of your 1988 travel money, which was a 10-percent reduction from the year before. Do you think your travel expenses are adequate to carry out your audit and investigative responsibilities?

Mr. THOMAS. I am concerned about that area, Mr. Chairman, because one of the things we have consistently tried to plan for is to allow for our traveling field staff to be out on the road about 50 days a year. As recently as 1987, we were able to keep our staff on the road about 40 days a year. In 1987–88, that time was reduced to 35 days a year.

In the proposed budget year, it will be reduced to 28 days a year. What we do with this level of effort is focus our attention more specifically on the higher priority areas.

As we are just a part of a bigger budget, we have our fair share. As a consequence, what happens is that we continue to reassess our priorities. I am concerned about the trend of reduction in our ability to get on the road.

RECOVERIES

Senator CHILES. You have recovered about $26.1 million last year, including interest and penalties. How much could that be raised if you had additional staff? Have you worked out any kind of ratio as to what you think your recovery is, based on what the assets are that you are putting in?

Mr. THOMAS. We have not, Mr. Chairman, because that is not a straight-line number. A lot of things happen from the point of doing an audit to the point of ultimately getting a collection. As a consequence, the number of cases that go into a backlog, cases that are appealed to the Education Appeal Board, and so forth is a cumulative one over a period of years. They are adjudicated.

Senator CHILES. I understand that.

Mr. THOMAS. It is very difficult to try to extrapolate from that. We see a continuation, though, of this increase. In the last couple of years, it has been $27 million one year and $26 million the other year. We anticipate a continuation of that effort. In fact, one of the advantages of being able to review the audits that are being done by CPA's, both at State and local governments and also at proprietary schools, is that we are able to better focus our attention in certain areas and focus our attention on high money areas, and high vulnerability areas.

We anticipate that the numbers may increase, whether or not we have more money, simply because of our ability to better focus because of these non-Federal audits that are now required, both in colleges and universities, and in State and local governments. So we are anticipating an increase continuing in that number.

1989 BUDGET REQUEST

Senator CHILES. Your 1989 request is $17.9 million?

Mr. THOMAS. That is correct, sir. Yes, sir.

Senator CHILES. Yes; $17.9 million. That is virtually what your 1988 was.

Mr. THOMAS. Yes, sir; the 1988 was $17.4 million, and the increase is mostly for the increase in pay that was granted, and a couple of other salary cost-related items. It is virtually a hold-even budget other than that.

Senator CHILES. You asked for more last year than you are asking for this year. You asked for $18.6 million in 1988.

Mr. THOMAS. Yes, sir; I think the budget originally last year was $18.6 million and then was amended to $18.5 million. The congressional appropriation was actually $17.4 million. That is correct.

Senator CHILES. Do you think this request would give you enough money to carry out your mandate and the responsibility that you have?

Mr. THOMAS. Mr. Chairman, I believe, as I mentioned to you before, because of the type of organization we are and the type of a function we carry out—that being a level of effort—we can do an excellent job for the Department, for the Congress, and for the taxpayers with this amount of money.

I might also add that we could do an excellent job for a lesser amount and a greater amount. What is required of us, of course, with any level of funding, is a more precise method of setting our priorities. It is evident that this level, the level we requested last year, does not do everything we think needs to be done.

What we are in a constant shuffle to do is to set priorities and to try to focus our attention on those areas where the taxpayer's funds are spent in the greatest amounts, and are the most vulnerable for fraud, waste, and abuse.

Senator CHILES. What we are facing here, is that we are appropriating, of the taxpayer's money, $21 billion.

Mr. THOMAS. Yes, sir.

Senator CHILES. We want to see that money is spent effectively, efficiently, fraud-free, theft-free, without ripoffs. Obviously, to police that is going to take some money. The question is, to police that $21 billion, is $17.9 million sufficient to do it?

Mr. THOMAS. It will not do it. It will not do it the way you have described that, Mr. Chairman. No, sir; it would be my opinion that this number would have to be increased in the vicinity of $20 to $21 million in order to carry out that mission that you just described.

Senator CHILES. Well, if it was to be in that area, I want you to provide, for the record, where those additional assets would go and what would be your plan to do with those assets if you had them.

Mr. THOMAS. Very well. I would be happy to do that for you, Mr. Chairman.

[The information follows:]

ADDITIONAL FUNDS NEEDED

To carry out a broader mission for fiscal year 1989, we would need additional resources of about $3.4 million, bringing us to a total budget of $21.3 million. The $3.4 million would be used to provide additional support for our existing staff and for added staff. Compensation and benefit costs for 32 additional auditors and investigators would total about $1.6 million, including such related costs as rent, telecommunications, and supplies.

Additional resources would be used to support our current staff and the proposed additional staff by increasing travel by $770,000 (including $200,000 for the new staff) so that our field auditors could travel an average of 50 days a year; and by increasing training by $130,000 (including $25,000 for the new staff) so that we could provide the 40 hours per year of training required of all auditors by the recently issued GAO Government auditing standards.

Additional resources would also be used to provide contract audits of departmental financial management systems ($500,000), and to perform contract preaward and closeout audits ($400,000).

With these additional resources we would increase our efforts in the following priority areas:

Proprietary school issues.—Through a comprehensive and coordinated program of nationwide audits and a more in-depth investigative approach into schools and their owners, we will increase nationwide audit and investigative coverage of proprietary schools.

Our audits will combine an assessment of program implementation with a review of the internal operations of the Department to evaluate the relationship between the Department's management practices and the operation of the programs at the proprietary school level. This work will also support key initiatives recently begun by the Department.

Additional resources would allow a task force approach to investigating targeted proprietary schools, while continuing the current investigative effort uninterrupted. Investigative work is generally reactive and always a level of effort activity. The envisioned task force approach would result in a proactive situation wherein investigations would be conducted on a discretionary basis in targeted areas.

Non-Federal audit oversight and followup reviews.—The Inspector General Act requires us to assure that work performed by non-Federal auditors is done properly and in accordance with the appropriate standards. Our oversight activities include providing technical assistance, performing desk reviews, performing quality control reviews of work papers on a sample basis, and providing assistance to the Department in handling and resolving issues noted in audit reports. Currently, we are performing quality control reviews on 8 percent of non-Federal audits. All of the reviews are selected on a judgmental basis because of travel constraints. With sufficient travel funds, we would select 4 percent on a judgmental basis and 4 percent on a statistical sample basis.

Also, with additional travel funds, we would be able to increase our scheduling of followup audit work in a timely manner at problem entities, such as proprietary institutions. Often, significant problems, such as the lack of compliance with laws and regulations and poor internal control, are reported by the non-Federal auditors. Such reports serve as red flags indicating the need for more in-depth audit work to be performed by our staff.

Automated data processing and financial systems initiatives.—With greater government-wide emphasis in the area of financial management improvement and improved operations, it is necessary that we increase our audit and investigative efforts in these areas. On a 3-year cycle, we plan to provide audit coverage of the Department's automated data processing and financial accounting systems. We would use the additional funds to contract with independent public accountants to assist with the financial audit work required to render an opinion on the Department's financial statements.

Contract reviews.—To provide audit coverage of recipients of contracts from the Department, including preaward audits of the entity's cost estimates and control systems, as well as contract closeout audits to assure that costs claimed under the contracts are allowable, we would use the additional resources to perform contract reviews. Some of the funds would be used to contract with independent public accountants to perform contract closeout audits at the recipient organizations for which the OIG has audit cognizance. These closeout audits would cover contracts ranging from $250,000 to $1 million. Because of past resource constraints, we have limited our work in this area to contracts over $1 million.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator CHILES. There will be some additional questions which we will submit to you if you would be so kind as to answer them for the record.

Mr. CARNES. We will be glad to respond to them for the record.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

PROPRIETARY SCHOOL REVIEWS

Question: Mr. Thomas, the Department has attracted a lot of attention with its criticism of the operation of student financial aid programs in proprietary schools. Your budget justification indicates that you plan to increase your investigations of proprietary schools prone to abuse the student aid programs. How many of the 65 program audits you plan to do in 1989 will involve proprietary schools? How does this compare to your level of effort in 1987?

Answer: The two-year audit plan for fiscal years 1988 and 1989 contains 65 nationwide and internal audits. Of these 65 audits, 13 are directed at systemic issues identified as impacting on problems with proprietary schools.

In addition to the proprietary schools that may be visited as part of these audits, we also audit proprietary schools when we become aware of issues or problems. In 1987, we issued audit reports on nine of these schools. We expect this number to increase in 1989 as we proceed with our proprietary school initiative.

Question: Do your audits of these institutions focus primarily on identifying specific disallowances, or do you include program recommendations that could have nationwide applicability?

Answer: Our nationwide and internal audits are designed to address issues that have nationwide applicability and we recommend legislative, regulatory, policy, and program management changes to the Department's programs based upon them. The single location audits, resulting primarily from allegations, generally focus on identifying specific disallowances. However, if the cause of any specific disallowance is attributable to weakness in legislation, regulation, or program management, these weaknesses are brought to the attention of program managers for resolution.

Question: How do you plan to identify proprietary schools that are prone to abuse? Will you be developing an "error-prone profile"?

Answer: Proprietary schools that are prone to abuse are identified through allegations and our ongoing cooperative efforts with program officials. In addition, within the next year, we will be developing a proprietary school data base consisting of data currently existing within the Department. We believe this will help us to identify proprietary schools that are prone to abuse and provide an "error-prone" file.

TRAVEL REQUEST

Question: Mr. Thomas, I would think travel expenses would be a fairly important part of an Inspector General's budget. You need to have your auditors out in the field, identifying program management problems and Federal savings, not sitting behind a desk in Washington or a regional office. So I was surprised to see that you have requested only a freeze of your 1988 travel money, which itself was a 10 percent reduction from the year before. Do you think your travel expenses request is really adequate to carry out your audit and investigation responsibilities?

Answer: We are concerned about the adequacy of the travel figure. We have consistently tried to plan for our travelling field staff to be on the road an average of 50 days a year. In 1987, they were out about 40 days, and in 1988, it will be about 35 days. That would be reduced to 28 days in 1989. I recognize that we are part of a larger budget and we have received our fair share, but I am concerned about the trend.

In 1988, our appropriated travel funds were reduced by $189,000 under Section 512 of the Departments of Labor, Health and Human Services, and Education and Related Agencies Appropriations Act, which provided a uniform reduction in travel for agencies under the Act. This reduced our travel budget by 17 percent below the $1.112 million included in the 1988 President's budget request. We have also had to reallocate $112,000 from travel to other areas, reducing our 1988 travel base to $811,000. The 1989 request is level with this 1988 amount. We would need an additional $570,000 to support the 50 days per year travel goal for our existing staff, and $200,000 for travel beyond that if we were staffed at an ideal level.

ORGANIZATION-WIDE AUDIT WORKLOAD

Question: Mr. Thomas, between 1987 and 1988, you've experienced a one-third increase in the number of audits you review that were conducted by non-Federal auditors. I assume this is due to the requirements of the Single Audit Act, which mandates organization-wide audits. How burdensome is this new review requirement turning out to be?

Answer: While the volume of these reports has increased and is expected to increase even further, the vast majority of the reports are for entities for which we do not have responsibility to review reports as a cognizant agency. Most of the reports are for local school districts for which we have general oversight. For these entities, we have taken the position in accordance with OMB Circular A-128 that State education agencies (SEA's), as the prime recipients of most Federal monies ultimately received by school districts, have the responsibility of assuring that the audit reports meet the requirements and standards. Our review of these reports is thus very limited. We do not have a plan in place to review the adequacy of the SEA's implementation of single audit requirements with respect to their subrecipients.

Question: What is the quality of the non-Federal audits you see?

Answer: During the first six months of fiscal year 1988,of the 72 single audit reports receiving detailed reviews by us as the cognizant agency, 65 audit reports, or 90 percent, were issued without changes or with only minor changes, while 7 audit reports, or 10 percent, required major changes or were significantly inadequate. These results are similar to those experienced during the last six months of fiscal year 1987.

In addition, during the first six months of fiscal year 1988, we performed quality control reviews of the work papers for five single audits and found that one was substandard. Because there were so few reviews of single audits at this early stage of development, it is difficult to reach a precise conclusion on the quality of them from those reviews. Results for these kinds of reviews for non-Federal audits of colleges and universities show 40 percent substandard work for randomly selected audits and 60 percent substandard work for judgmentally selected audits.

Question: Have you had to curtail other activities of your office to conduct these reviews, such as reassigning investigators to desk reviews?

Answer: With a finite level of resources, we are always faced with decisions about how we can allocate our resources to best accomplish our mission. The more resources we expend on our single audit workload, the less we are able to put toward our other audit efforts.

Because of the steps we have taken to minimize the burden of the increased single audit volume and the approach we are taking with respect to audits of school districts, we don't expect that the increased volume will result in a significant increase over previous periods in the percentage of staff resources allocated to non-Federal audit review, nor will it curtail other activities in a significant way.

With additional resources, we would increase the percentage of randomly selected audits for quality control reviews, and do more in-depth follow-up audits where non-Federal audits disclose significant problems.

SUBCOMMITTEE RECESS

Senator CHILES. I thank you. The subcommittee will stand in recess until 9:30 tomorrow when we will meet again in Dirksen 192 to continue our hearings for the Department of Education.

[Whereupon, at 12:05 p.m., Tuesday, May 10, the subcommittee was recessed, to reconvene at 9:30 a.m., Wednesday, May 11.]

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1989

WEDNESDAY, MAY 11, 1988

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 9:38 a.m., in room SD-192, Dirksen Senate Office Building, Hon. Lawton Chiles (chairman) presiding.

Present: Senators Chiles, Burdick, and Weicker.

DEPARTMENT OF EDUCATION

ELEMENTARY AND SECONDARY EDUCATION

VOCATIONAL AND ADULT EDUCATION

BILINGUAL, IMMIGRANT, AND REFUGEE EDUCATION

STATEMENT OF BRUCE M. CARNES, DEPUTY UNDER SECRETARY FOR PLANNING, BUDGET AND EVALUATION

ACCOMPANIED BY:

BERYL DORSETT, ASSISTANT SECRETARY FOR ELEMENTARY AND SECONDARY EDUCATION

BONNIE GUITON, ASSISTANT SECRETARY FOR VOCATIONAL AND ADULT EDUCATION

ALICIA CORO, DIRECTOR, OFFICE OF BILINGUAL EDUCATION AND MINORITY LANGUAGES AFFAIRS

OPENING STATEMENT

Senator CHILES. This morning the subcommittee will hear testimony on the Department of Education's 1989 budget request for elementary and secondary education, vocational and adult education, bilingual, immigrant, and refugee education.

Throughout our entire educational system, schools and teachers are facing mounting challenges. Today 1 in every 5 of our children is living in poverty. A growing number of these children are recent immigrants who need language instruction at all different ages, and the growing prevalence of crack cocaine threatens all of our school children's lives as well as their educational opportunity. The changing nature of the economy is putting greater demands on a work force that is underskilled and unprepared to learn new skills.

The programs we will discuss this morning are designed to address these challenges, and the President's 1989 budget request goes a good bit further toward meeting these challenges than his budget for 1988.

For elementary and secondary education, the President is requesting $6.4 billion, about $815 million more than his 1988 request, $214 million more than his 1988 appropriation. For bilingual, immigrant, and refugee education, the President is requesting $201 million, about $57 million more than his 1988 request and $9 million more than the 1988 appropriation.

It was not difficult for the President to improve upon his 1988 request for vocational and adult education. Simply by requesting a freeze level for vocational education, he improved his request by more than $900 million, or 700 percent. This is also a $16 million increase over the 1988 appropriation.

PREPARED STATEMENTS

We are pleased to welcome to the subcommittee three new witnesses: Ms. Beryl Dorsett, the Assistant Secretary for Elementary and Secondary Education; Ms. Bonnie Guiton, the Assistant Secretary for Vocational and Adult Education; and Ms. Alicia Coro, the Director of the Office of Bilingual Education and Minority Languages Affairs. All your statements will be included in the record.

[The statements follow:]

STATEMENT OF BRUCE M. CARNES

I am pleased to appear before you to discuss the 1989 budget for Department of Education programs in the areas of elementary and secondary education, bilingual education, and vocational and adult education. The requests for these programs total over $7.5 billion.

The 1989 budget request for these programs reflects our continuing commitment to meet the special educational needs of disadvantaged children, and to increase accountability for our education investment. We will continue to provide support for programs for which there is a clear Federal responsibility and which enhance educational opportunities for poor, disadvantaged, and limited English speaking students, teach basic academic and literacy skills, and improve education quality.

Since passage of the Hawkins-Stafford Amendments, we have been working with the Office of Management and Budget to revise our requests for those programs affected by the new legislation. We will be transmitting to you a revised budget reflecting our policies on the new legislation, now that decisions are final. The request I am presenting at this time reflects our new funding levels.

For Compensatory Education for the Disadvantaged, Chapter 1, we are requesting $4.6 billion, a $238 million increase over the 1988 appropriation. This program, which is the largest Federal program at the elementary and secondary level, will provide assistance to nearly 5.6 million disadvantaged children enrolled in about 14,000 school districts, or 90 percent of the districts in the Nation. The proposed increase includes funding for Concentration Grants which will target funds specifically to local school districts with large numbers, or percentages, of children from low-income families. The remainder of the increase would be allocated for Basic Grants, State Administration, and evaluation and technical assistance activities.

Our budget request for the School Improvement Programs reemphasizes our dedication to the goals of stimulating educational reform, promoting educational excellence, and establishing a drug-free environment in schools throughout the Nation. Included in this request are funds for three State formula grant programs--Chapter 2 State Block Grants, Drug-free Schools State Grants, and Mathematics and Science State Grants--as well as numerous smaller discretionary grant programs designed to provide Federal assistance in specific areas of national need.

For the Chapter 2 State Block Grant program we are requesting $540.5 million, a $61.8 million increase over the 1988 appropriation. The Chapter 2 Block Grants continue to be of high priority to the Department. Because of their flexibility, State Block Grants have proven to be a useful and popular resource in promoting educational excellence at both the State and local levels.

Funds requested for Chapter 2 National Programs would provide support for four mandated programs--the National Diffusion Network, Inexpensive Book Distribution, Arts in Education, and Law-Related Education--and would support the new Blue Ribbon Schools program, authorized by the Hawkins-Stafford Amendments. This new program would be designed to recognize high quality schools or school programs.

The Hawkins-Stafford Amendments also authorized funds for the new Fund for Innovation in Education. The $4.6 million requested for this program will be used to continue activities previously supported under the Chapter 2 Secretary's Discretionary Fund. These activities will include continuation of the studies of early intervention programs begun in 1988 at the direction of the Congress.

Magnet schools have proven to be an effective means of achieving voluntary desegregation, increasing parental and student choices, and improving educational quality. For Magnet Schools Assistance we are requesting $115 million, a $43 million increase over the current level. The proposed increase will allow the Department to fund a larger proportion of eligible applicants.

Our revised budget also contains a request for $5 million to support Alternative Curriculum Schools, a new program authorized by the Hawkins- Stafford Amendments. Funds for this program would be used for discretionary awards to school districts that, while not necessarily operating under a desegregation plan, could still benefit from the same kind of assistance available to districts through the Magnet Schools program.

The request for Drug-free Schools and Communities is $250 million, the maximum amount authorized. This program is a vital component of the Administration's efforts to rid the Nation's schools of drugs and reduce the demand for and use of drugs throughout the country. As a result of program changes included in the Hawkins-Stafford Amendments, we expect greater accountability for funds from this program.

In response to the national need to develop and maintain skilled and knowledgeable teachers, the Administration is requesting $12 million for the Fund for the Improvement and Reform of Schools and Teaching -- FIRST. This new program, authorized by the Hawkins-Stafford Amendments, would support projects to improve educational opportunities for and performance by elementary and secondary school teachers and would seek to bring new talent into the teaching profession through a variety of methods, including alternative certification.

Our proposal also provides continued support for the second year of the two-year Dropout Demonstration program, as well as funding for several smaller categorical programs, such as Christa McAuliffe Fellowships. No funds are requested for some of the other small categorical grant programs which we believe have either fulfilled their objectives or provide services that can be carried out under other, broader authorities, such as Ellender Fellowships and Follow Through.

We are committed to ensuring that limited English proficient children are provided with the special educational services they need to prepare them to participate fully in our society. We are pleased that the Congress agreed with our recommendation to provide increased local flexibility to our schools in choosing approaches to bilingual education programs that best respond to the specific needs of their children. Our request of $157 million for Bilingual

Education, a $10 million increase over the 1988 level, would go primarily to projects at the local level, where new students must be served and new programs created.

For Impact Aid we are requesting $592 million. We believe there is a clear Federal responsibility for "a" children whose parents both live and work on Federal property. We are, however, again proposing the elimination of payments for "b" children, those who reside or whose parents work on Federal property, because these children do not represent a burden to their school districts. Additionally, our 1989 request proposes a modification of the distribution formula for the program. The new formula would continue to provide higher rates of payment for districts with higher concentrations of "a" children; however, the formula would contain a sliding scale, with several stages at which payment rates are decreased, instead of the current, abrupt transition from full funding or nearly full funding to a much smaller amount.

We believe that if we are to achieve real program improvement in Vocational Education, State and local educational agencies must be held accountable for meeting program goals. To that end, we will be proposing amendments strengthening the accountability provisions of the Perkins Act. Our budget request for $881 million also seeks to give States broader authority with their vocational education funds by consolidating funds from several categorical programs into the basic grants program.

For Adult Education, our request is $150 million--the highest appropriation ever for this program. We will continue our efforts to reduce adult illiteracy and increase adult basic skills proficiency.

I have discussed the highlights of the budget proposals you have before you this morning. We would like to insert for the record more detailed statements by my colleagues who administer these programs. We would be happy to answer any questions you may have.

STATEMENT OF BERYL DORSETT

I am pleased to appear before your Committee to discuss our 1989 revised budget request for Compensatory Education for the Disadvantaged. We are requesting $4.6 million -- a $230 million increase over the 1988 appropriation. This request is based on the recently enacted Hawkins-Stafford Elementary and Secondary Improvement Amendments (P.L. 100-287); the President will shortly transmit a package of budget amendments based on the new law. Our revised budget further reflects the Administration's continuing commitment to help States and localities meet the special educational needs of disadvantaged children. Secretary Bennett has placed the highest priority on programs that benefit the educationally disadvantaged. This activity makes up one of the largest budget items within the Department, accounting for almost 22 percent of our 1989 request -- compared to 19 percent of our 1988 appropriation.

Within our 1989 request, we would increase funding for Grants to Local Educational Agencies (including providing the first funding since 1981 for Concentration Grants), the State Agency Neglected and Delinquent program, State Administration, and Evaluation and Technical Assistance. The budget would also fund State program improvement grants, authorized in Section 1405 of P.L. 100-295, to help States carry out their responsibilities with regard to implementing the program improvement requirements established in the new law. We would fund the State Agency Migrant and Handicapped programs at their 1988 levels. No funds are requested for the High School Equivalency (HEP) and College Assistance Migrant Programs (CAMP) because they duplicate services provided by other Federal education programs at a much lower cost.

Grants to Local Educational Agencies

Chapter 1 Grants to Local Educational Agencies (LEAs) will remain the primary vehicle for providing compensatory education services to the disadvantaged. Within the LEA Grant program, we are requesting $3.9 billion for Basic Grants, which is $70.4 million more than the 1988 amount. These funds would be allocated under the basic grant formula that distributes funds to school districts that apply and have at least 10 eligible children. Consistent with the Administration's policy of improving the targeting of resources, we are requesting $158 million for Concentration Grants. These funds would flow to areas that have 6,500 poor children or a 15 percent poverty rate -- areas that have the greatest need.

We anticipate that nearly 14,000 school districts, 90 percent of the districts in the United States, would continue receiving Chapter 1 funds in school year 1989-90. We estimate that school districts could serve between 4.8 and and 5.0 million children with Basic Grant and Concentration Grant funds. However, this range is strictly an estimate because local school districts, not the Federal Government, determine the actual number served and thus the Federal contribution per child in any year. Program data attest to the large variation in the ways States and localities choose to use their Federal funds. In the 1985-86 school year, which is the latest year for which actual participation data are available, the program served 4.5 million children and the average Federal contribution per child ranged from $403 to $1,499 depending on the State.

State Agency Programs

For the Chapter 1 Migrant Program we are requesting $269 million, the same as the 1988 level. Of this amount, about $8.2 million would support migrant coordination activities, including the Migrant Student Record Transfer System, and the remainder would support compensatory education activities provided by the State. The revised request would be allocated to States based on the number of children aged 3 to 21 rather than on those aged 5 to 17 as in previous years. In 1985-86, the latest year for which participation data are available, 385,000 children received services in the Migrant program.

We are requesting $151 million in 1989 for the Chapter 1 Handicapped program. This request is based on P.L. 100-297 and no policy changes are proposed. As a result, program operations generally will conform more closely to the Education of the

Handicapped Act State Grant program. For 1987-88, the last year for which actual data are available, 261,500 children were counted and served by the program.

For the Neglected and Delinquent program, we are requesting $32.6 million. This is a slight increase over the 1988 appropriation level and would restore the program to its 1987 level. This request is based on P.L. 100-297. States will be permitted to use 10 percent of their funds received under this program to help students in institutions make the transition into locally operated schools. In 1985-86, the latest year for which data are available, States provided services to almost 53,000 students.

State Administration

To permit States to fulfill the various administrative requirements of Chapter 1, we are requesting $42 million for State Administration in 1989. This is almost a $2.7 million increase over the 1988 appropriation level and would provide additional funds for States to carry out the increased administrative, technical assistance, and accountability requirements of P.L. 100-297. Under this request, each State would receive an amount proportionate to its total share of Chapter 1 funds, with no State receiving less than $325,000. The Outlying Areas would receive a minimum of $50,000 each. The requested increase would ensure that each State receives at least the level of funding that it received in 1988.

State Program Improvement Grants

To support State efforts to assist school districts in correcting problems with ineffective Chapter 1 projects, the Department is requesting $4.8 million for the newly authorized State Program Improvement Grants program. This request would provide each State with the statutory minimum payment of $90,000. The Outlying Areas would each receive $15,000.

Evaluation and Technical Assistance

We request $8 million for Evaluation and Technical Assistance, an $819,000 increase over the 1988 appropriation level. P.L. 100-297 calls for an expansion in the services provided by the Technical Assistance Centers, evaluation of Chapter 1 programs, and a 10-year national longitudinal study of Chapter 1 participants. The requested increase in funding would permit us to address these new program mandates. Like last year, funding for this activity would be available only in the year for which it is appropriated.

HEP and CAMP

We request no funds for the High School Equivalency program (HEP) and the College Assistance Migrant program (CAMP). They are costly to operate and duplicate services provided by other Federal programs at a much lower cost.

My colleagues and I will be happy to respond to any questions you may have.

Impact Aid

We appreciate this opportunity to appear before you to discuss the 1989 appropriation request of $592 million for Impact Aid program activities under Public Law 81-874 and Public Law 81-815. This request maintains the Federal Government's commitment to compensate school districts for the cost of educating children when enrollments and the availability of revenue from local sources have been adversely affected by Federal activities.

The request includes $557 million for Maintenance and Operations activities under Sections 2 and 3, $10 million for Disaster Assistance, and $25 million for Construction projects. The 1989 request is $116 million less than the 1988 appropriated level. Most of this decrease reflects the Administration's decision to propose the elimination of payments for "b" children, who reside or whose parents work on Federal property. The presence of these children creates no significant burden for local school districts. In keeping with the policy of focusing Federal aid on those school districts that are the most heavily burdened by the effects of Federal activities, payments will be made only on behalf of the so-called "a" students, who live on and whose parents work on Federal property and thus do not generate local property tax revenues.

Maintenance and Operations

Of the $557 million requested for Maintenance and Operations, an amount of $547 million is requested for Section 3(a), an increase of $10.8 million over the 1988 enacted amount. These funds will be used for making payments for children who reside on and whose parents work on Federal property or are on active duty in the uniformed services.

For 1989, a more equitable distribution formula is proposed for payments under this section. This revised formula would continue to provide higher rates of payment for districts with higher proportions of federally connected children. However, the proposed formula contains a sliding scale, with several stages at which payment rates would decrease. This would replace the formula included in recent appropriation acts which results in the abrupt transition from full or nearly full funding to less than half of that amount when a district has fewer than 15 percent "a" children. The exception to these funding rates would be for payments on behalf of children who reside in federally subsidized, low-rent housing. These payments would continue to be made at reduced rates--up to a maximum of 15 percent of entitlement--because the presence of these children in a school district is generally not a direct result of Federal activities. We expect to make Section 3(a) payments to approximately 1,100 districts in 1989 under this proposal.

In 1989, the Department proposes to earmark $10 million of Section 3 funds for increased payments to districts eligible under Section 3(d)(2)(B). These are districts that are particularly heavily burdened by the presence of federally connected children, that do not have sufficient funds to provide a level of education equivalent to comparable districts in their States, and that meet additional criteria in the program statute. In line with the termination of payments for "b" children, Section 3(b) children will not be counted for eligibility or payments under Section 3(d)(2)(B) in 1989. The level of funds earmarked for 1989 payments under this provision is an amount that should be sufficient to meet all claims for payments for "a" children in these districts.

Also, in 1989, the Department proposes to restore a provision requiring a $5,000 minimum payment under Section 3. This minimum, which was in effect in fiscal years 1982-84, eliminates small payments to districts with very few federally connected children. Through the minimum payment requirement, funds are reserved for only those districts experiencing actual financial burdens due to Federal activities.

The $10 million requested for Section 2, which is $5.3 million less than the enacted 1988 appropriation, is expected to be sufficient for payments at 100 percent of entitlement in 1989, given changes made by new regulations that will affect eligibility and payment amounts. The changes in the implementation of Section 2 contained in these regulations reflect, among other things, changes in State school finance practices in recent years. We estimate that in 1989, Section 2 payments will be made to about 200 districts whose partial loss of tax base due to the acquisition of property by the United States Government has resulted in a continuing financial burden.

Disaster Assistance

For fiscal year 1989, budget authority of $10 million is requested for Disaster Assistance. Of the $30.5 million in carryover funds from 1987, approximately $10 million is expected to be carried over into 1989. The combination of the budget request and anticipated carryover funds should be sufficient to fund applications submitted in 1989 and projects continuing from prior years. Because the level of funds required for disaster assistance fluctuates greatly from year to year, the budget proposal includes a request that funds remain available until expended. This provision, first implemented by the 1984 supplemental appropriations act, increases the Department's flexibility to meet the varying levels of demand for disaster assistance.

Construction

Construction funds are requested for awards under Sections 5, 10 and 14. For this activity, the request is $25 million, which is $2 million more than the 1988 appropriation for construction activities.

Sections 14(a) and 14(b) authorize construction grants to school districts that serve children residing on Indian lands. These districts appear to have the greatest need for new or additional facilities and the least funds available from other sources. Therefore, $12 million, the largest share of the total, is requested for projects under Sections 14(a) and (b). This is $2 million more than the 1988 appropriation. Section 5 authorizes assistance for school construction in areas experiencing an increase in Federal activity, and Section 14(c) authorizes construction assistance to school districts that are comprised mainly of Federal lands and that have a substantial number of inadequately housed pupils. Grants under these sections are generally for only a small proportion of the total cost of the projects. The amount of $5 million is requested for these sections, $1.5 million less than the 1988 level.

For Section 10, which authorizes the repair and construction of facilities to serve children residing on Federal property, funds have been made available through the Department of Defense as well as the Department of Education since 1984. In 1989, $10 million is requested for Section 10, which is $1.4 million more than the 1988 enacted appropriation. In addition to making emergency repairs to buildings owned by the Department of Education, these funds will be used in conjunction with the Department of Defense to begin implementation of the recommendations in the Departments' recent joint report to the Congress on school facilities on military installations.

My colleagues and I will be happy to respond to any questions you may have.

School Improvement Programs

I appreciate this opportunity to appear before you to present the fiscal year 1989 budget request for the School Improvement Programs.

The School Improvement Programs account includes three State formula grant programs with an array of purposes and numerous smaller discretionary grant programs designed to give Federal assistance in areas of national concern or to address needs of particular segments of the population. For 1989, the budget request for School Improvement Programs is focused on those programs that support national, State, and local efforts at educational improvement and the elimination of drug use by young people.

Since passage of P.L. 100-297 -- the Hawkins-Stafford Amendments -- we have been working with the Office of Management and Budget to revise our estimates for the programs affected by the legislation. The request I am presenting at this time is a revision of the budget submitted in February and reflects changes based on the enactment of P.L. 100-297. Shortly, the President will transmit a package of budget amendments based on the new law. For School Improvement Programs, the request is $1.1 billion, an 8 percent increase over the 1988 level.

Spring 1988 marks the fifth year anniversary of the publication of A Nation At Risk, the report of the President's Commission on Excellence in Education that catalyzed educational reform across the country. Since then, the Nation has witnessed a rebirth in its commitment to educational excellence. The 1989 budget proposals for School Improvement Programs stand solidly behind the national quest for educational reform and excellence and for drug-free schools. Funds to help States and localities improve educational quality are requested for Chapter 2, Magnet Schools Assistance, Mathematics and Science Education, and the smaller programs for Christa McAuliffe Fellowships, Leadership in Educational Administration, and Territorial Teacher Training. Major increases are proposed for Chapter 2, Magnet Schools, and Drug-Free Schools and Communities. We are proposing level funding for Training and Advisory Services under Title IV of the Civil Rights Act and funds to continue our demonstration projects to test approaches for identifying potential dropouts and encouraging them to remain in school, and encouraging youth who have dropped out to resume their education. The request also includes funding to initiate the new Fund for the Improvement and Reform of Schools and Teaching; to continue, under the Fund for Innovation in Education, discretionary activities in such areas as early childhood and preschool education; and to start a few projects under the new Alternative Curriculum Schools program.

Chapter 2

Our request for Chapter 2 totals $567.5 million. Most of these funds flow directly to State governments and local school districts where they may be used to respond directly to State and local needs. Chapter 2 also authorizes five special programs that address broad national priorities.

State Block Grants

The Chapter 2 State Block Grant program provides aid to States to improve the quality of elementary and secondary education for all children in public and private schools. It is intended to support general excellence in education, rather than narrow categorical activities. The Chapter 2 State Block Grant continues to be a high Administration priority. The 1989 budget request would increase funding for the block grant by $61.8 million to $540.5 million.

National Programs

Chapter 2 National Programs support a variety of activities that assist State and local educational agencies in improving elementary and secondary school programs. Four programs are mandated by the legislation: Inexpensive Book Distribution, Arts in Education, Law-Related Education, and the National Diffusion Network. A new program, Blue Ribbon Schools, is also authorized by P.L. 100-297. The budget request of $27 million for 1989 would support all of these programs.

Fund for Innovation in Education

For the new Fund for Innovation in Education, $4.6 million is requested to continue activities previously supported under the Chapter 2 Secretary's Discretionary Fund. These activities will include continuation of the studies of early intervention programs begun in 1988 at the direction of Congress.

Magnet Schools Assistance

The Department requests $115 million for Magnet Schools Assistance, a 60 percent increase over the current level. The Magnet Schools Assistance program provides grants to local educational agencies for use in magnet schools that are part of a desegregation plan approved by a court or the Department's Office for Civil Rights. Research has shown that magnet schools can be an effective means of achieving voluntary desegregation, improving educational quality, and increasing the choices available to parents and students.

Alternative Curriculum Schools

The revised budget also contains a request for $5 million to support Alternative Curriculum Schools -- a new program authorized by P.L. 100-297. These funds would be used for discretionary awards to school districts that, while not necessarily operating under a desegregation plan, could still benefit from the same kind of assistance available to districts through the Magnet Schools program. In order to receive funds under this new program, a school district must enroll at least 65 percent minority students. Many districts with very high percentages of minority students cannot, as a practical matter, desegregate, and have therefore been ineligible for funding under the Magnet Schools Assistance program.

Mathematics and Science Education

The Mathematics and Science Education program makes financial assistance available to State and local educational agencies, State higher education agencies, institutions of higher education, and private nonprofit organizations to improve the quality of mathematics and science teaching and increase the access of all students to quality instruction. Most of these funds are administered through grants to States; a small portion of the funds is reserved for the Secretary for programs of national significance. The program received a 50 percent funding increase to $120 million in 1988. This level would be continued in 1989.

Fund for the Improvement and Reform of Schools and Teaching

P.L. 100-297 authorizes a Fund for the Improvement and Reform of Schools and Teaching to support programs providing incentives for improved school performance and other priorities related to educational reform. The budget proposal includes $12 million for the first year of the Fund. Of this amount, $4 million would be used for the new Family-School Partnerships program.

Drug-Free School and Communities

The second largest program in this account -- Drug-Free Schools and Communities -- is an essential component of a comprehensive strategy to reduce the demand for and use of drugs throughout the Nation. Through this program, the Department will continue its leadership in the national effort to get drugs out of our schools, colleges, and communities. Funding for Drug-Free Schools and Communities is requested at $250 million, a $20.2 million increase and the maximum amount authorized. Of the amount requested, $207 million would be used for State grants and $43 million for National programs. State grants primarily support programs at the local school and community level; National programs support activities in institutions of higher education, a network of regional centers, and other Federal activities.

School Desegregation Assistance

The budget request includes $23.5 million, level funding, for the Training and Advisory Services program. This program supports technical assistance and training services for districts that are desegregating in the areas of race, sex, or national origin. New regulations that became effective in fiscal year 1987 are expected to bring about more efficient and effective operation of the program.

Other Programs

The budget request would provide funding for the second year of the two-year Dropout Prevention Demonstration program for which funds were appropriated in 1988 under the original Senate version of H.R. 5. Our formal request will fully support the second and final year of projects commenced in fiscal year 1988. Among the smaller programs in the School Improvement Programs account, funding is requested for those activities that address school improvement needs that cannot be met under other programs. These programs include Christa McAuliffe Fellowships, Leadership in Educational Administration (LEAD), and Territorial Teacher Training. No funding is requested for the other seven programs in the account, because they have already fulfilled their objectives or provide services that can be carried out under other, broader authorities.

My colleagues and I will be happy to respond to any questions you may have.

STATEMENT OF ALICIA CORO

I am pleased to appear before the Committee today to testify on the fiscal year 1989 budget request for Bilingual, Immigrant, and Refugee Education.

Our original fiscal year 1989 budget request for Bilingual Education was proposed for later transmittal pending enactment of the new authorizing legislation. Subsequent to passage of the Hawkins-Stafford Amendments, we have had to make minor changes in our budget request to reflect changes in the new law. The President will shortly transmit a package of budget amendments based on the new law.

The budget request for Bilingual Education demonstrates the Department's continuing commitment to ensure that limited English proficient children are provided the special instructional services they need to prepare them to participate fully in our society. To accomplish this, instructional grants are provided to local districts to help build their capacity to operate programs designed to teach English and to assist students in meeting grade promotion and graduation standards. Grants and contracts are also awarded for research, technical assistance, data collection, and training in bilingual education. The fiscal year 1989 request for Bilingual Education is $156.6 million, a 7 percent increase over the 1988 level.

In 1989, the Department will continue to consolidate the gains and program improvement it achieved, principally through new program regulations published in 1986 and 1987. These regulations drew attention to the discretion local schools have in determining the extent of native language use in bilingual projects, and to the fact that programmatic excellence need not be restricted to any one method. The regulations are designed to ensure that limited English proficient children learn English as quickly as possible so that they can participate effectively in the school's regular program. The new regulations also emphasize statutory requirements for parent involvement and for building local capacity-to operate programs once Federal funding is reduced or no longer available.

In keeping with Secretary Bennett's Bilingual Initiative, a 1989 priority for the Bilingual Education program is to implement the Hawkins-Stafford Elementary and Secondary School Improvement Amendments relating to the flexibility of schools to design programs that respond to the needs of their children. To the greatest degree permitted by law, the Department will consider new Transitional Bilingual Education and Special Alternative Instruction applications on the basis of quality without regard to instructional method.

The Department's request for the Immigrant and Refugee Education programs is $43.9 million, the same as the 1988 appropriation. The Department recently transmitted to the Congress its legislative proposal for Immigrant Education and recently published proposed regulations for the Refugee Education program. These measures will increase the effectiveness of these programs and will ensure that funds are used to provide supplementary educational services to eligible students.

Our request for Immigrant Education is proposed for later transmittal contingent on enactment of our proposed legislation.

Bilingual Programs

For Part A, Bilingual Programs, $112.1 million is requested. This is an increase of almost 11 percent over the 1988 level. The increase would fund some 77 additional school district projects serving 24,500 additional limited English proficient students. To the maximum degree possible under the new law, the Department intends to consider new applications for transitional bilingual education and special alternative instruction on the basis of quality, rather than instructional methods.

Bilingual Support Services

Under Part B, Bilingual Support Services, $10.9 million is requested. The increase of $975,000 over the 1988 level is necessary to implement the provision of the Hawkins-Stafford amendments that raises the minimum SEA grant from $50,000 to $75,000. Part B grants are made to State educational agencies for data collection and for a variety of technical assistance activities. Contracts are awarded for two Evaluation Assistance Centers, research and evaluation studies, and the National Clearinghouse for Bilingual Education.

Bilingual Training Grants

Under Part C, Bilingual Training Grants, $33.6 million is requested, a $1.9 million reduction which would fund the program at the 1987 level. We believe that this level is adequate, and that these funds can be better used under Part A where they provide services to students. Part C grants are made for educational personnel training, fellowships, training, development and improvement programs, and short-term training institutes. Contracts are also awarded for regional Multifunctional Resource Centers.

Immigrant and Refugee Education Programs

Under the Immigrant Education program, we will request $28.7 million, the same as the 1988 appropriation, if our proposed legislation is enacted. For the Refugee Education program, $15.2 million is requested under current law. This level is the same as the 1988 appropriation.

I believe that the bilingual education regulations, which were issued in 1986 and 1987 as part of Secretary Bennett's Bilingual Initiative, have already led to significant increases in program effectiveness. In 1989, we intend to build on these achievements as well as implement the provisions of the new legislation, including those that increase program flexibility. I am confident that the legislative proposal for Immigrant Education and the new regulations for Refugee Education will have similar positive effects. If our 1989 budget proposal is enacted, the Department will be better able to meet the needs of limited English proficient children as well as the educational needs of recently arrived immigrant and refugee students.

My colleagues and I would be happy to respond to any questions you have regarding our 1989 budget request for the Bilingual, Immigrant, and Refugee Education programs.

STATEMENT OF BONNIE GUITON

I appreciate this opportunity to discuss the fiscal year 1989 budget request for vocational and adult education. These programs, when combined with State, local, and private efforts to prepare a skilled and literate work force, can contribute to our country's economic growth and industrial competitiveness.

I am pleased to submit to you today a billion dollar budget request for vocational and adult education. Our fiscal year 1989 request for these programs totals $1.038 billion, including the Smith-Hughes permanent appropriation. This request is approximately $16 million over the 1988 appropriation. But it is not only the amount of our request that merits your attention. Our request is designed to move funds into spending categories that afford the States greater control and flexibility in the use of both vocational and adult education funds and to encourage greater accountability in vocational education programs.

Vocational Education

We have requested $881.1 million for vocational education, the same as our 1988 appropriation. As you can see on chart one, we are proposing to give the States broader authority in the use of Federal vocational education funding by consolidating funds from the categorical programs of consumer and homemaking education, community-based organizations, and bilingual vocational training into the basic grants. This proposal would increase the flexibility of States in using Federal funds to meet their specific vocational education needs. States may, at their option, use the increase in basic grants to cover the costs of improving and expanding services, and serving special populations, in any of the three program areas we have proposed for consolidation. This proposal is consistent with the appropriate Federal role -- encouraging program improvement and access for special populations -- in vocational education. Chart two shows in detail how basic grants would be allocated to special populations, according to the requirements of the Perkins Act.

Our other emphasis in vocational education is to foster program improvement through greater accountability in the use of funds. We will soon submit legislation to amend the Perkins Act to strengthen its accountability provisions, increasing State responsibility for setting, assessing, and enforcing standards of performance.

In addition to ongoing State grant programs, we are proposing nearly level funding, at $25 million, for national programs in research, cooperative demonstration projects in dropout prevention and high technology, and occupational data systems. Finally, we are proposing level funding for the State vocational education councils.

Adult Education

For Adult Education we are requesting $150 million, which would be the highest appropriation ever for this program. This is an increase of $16 million over the 1988 level. As-seen on chart one, in adult education we would also redirect our funding away from the more limited, categorical programs of literacy training for the homeless and workplace literacy, into the more flexible grants to States. Shortly, the President will transmit a package of budget amendments based on the new law. Our proposal would provide a total of $148 million for adult education grants to States, a $32.6 million increase over the 1988 level.

We estimate that the fiscal year 1989 request will provide support for literacy programs, basic skills education, English as a second language programs, and secondary school programs for approximately three million adults. Growth in State, local, and private support, which now accounts for three-fourths of all adult education spending, as well as volunteer support in cooperation with the President's Adult Literacy Initiative, continue to increase the annual numbers of persons served.

Finally, we will request $2 million, a slight increase, for research, development, and evaluation under Section 309 of the Adult Education Act. This amount will provide for continuation of our national assessment of adult literacy as well as some needed evaluation of adult education programs and methods.

At this time, Mr. Chairman, my colleagues and I will gladly respond to any questions you may have about vocational and adult education.

Chart 1

DEPARTMENT OF EDUCATION
1989 BUDGET - VOCATIONAL AND ADULT EDUCATION
(Millions of Dollars)

	1987 Actual	1988 Appropriation	1989 Request
Vocational Education (Perkins Act):			
State Programs:			
Basic Grants 1/	$815.0	$804.2	$848.3
Community-Based Organizations	6.0	6.8	---
Consumer and Homemaking Education	31.6	32.8	---
State Councils	7.5	7.9	7.9
National Programs:			
Research	7.1	7.3	7.1
Demonstrations	.5	14.8	14.4
Data Systems	3.5	3.6	3.5
Bilingual Vocational Training	3.7	3.7	---
Permanent Appropriation (Smith-Hughes) 1/	7.1	7.1	7.1
Subtotal, Vocational Education	882.0	888.2	888.2
Adult Education:			
Grants to States	106.0	115.4	148.0
Research, Development, Evaluation	---	1.9	2.0
Literacy Training for Homeless Adults	6.9	7.2	---
Workplace Literacy	---	9.6	---
Subtotal	112.9	134.0	150.0
Total, Vocational & Adult Education	$994.9	$1,022.3	$1,038.2

1/ Includes funds for Indian and Hawaiian Natives programs.
NOTE -- Numbers may not add due to rounding.

Chart 2

VOCATIONAL EDUCATION 1989 BUDGET DISTRIBUTION OF BASIC GRANT FUNDS 1/

(Thousands of Dollars)

	1987 Actual	1988 Appropriation	1989 Request
State Administration	$56,666	$55,907	$58,949
PART A: Vocational Education Opportunities			
Handicapped	75,284	74,276	78,318
Disadvantaged (including LEP)	165,625	163,407	172,300
Adult Training and Retraining	90,341	89,131	93,982
Single Parents and Homemakers	63,992	63,135	66,571
Sex Equity	26,350	25,997	27,411
Correctional Institutions	7,528	7,428	7,832
Subtotal, Part A	429,120	423,373	446,414
PART B: Improvement, Innovation, and Expansion	323,722	319,386	336,769
Subtotal Parts A and B	752,842	742,759	783,183
Indian and Hawaiian Native Program	12,497	12,555	13,206
Total, Basic Grants	$822,005	$811,221	$855,338

1/ All allocations of "Basic Grants" include funds from the Permanent (Smith-Hughes) Appropriation.
NOTE: Numbers may not add due to rounding.

SUMMARY STATEMENT

Senator CHILES. Mr. Carnes, we'll let you summarize your opening statement for us.

Senator Weicker?

Senator WEICKER. No; I have nothing at this time.

Mr. CARNES. Thank you, Mr. Chairman. It is a pleasure again to appear before you. You have recognized my distinguished colleagues, and I appreciate your including their statements in the record as well. Briefly, I'll summarize my statement.

HAWKINS-STAFFORD EFFECTIVE DATE

First, I would like to alert you at this time to a problem that has come to light in our review of the recently passed and signed Hawkins-Stafford amendments. This law has a general effective date of July 1, 1988, which puts many of our programs off cycle with the appropriations, the beginning of the fiscal year being October 1. The new programs now begin July 1. This is during our ongoing funding cycle.

It presents serious problems for a number of our programs. For example, unless legislative relief is provided, some of the following things might or will occur. Awards in a number of our programs will have to be made several months late. We'll be changing horses in the middle of the stream, well after the school year begins, for all chapter 1 programs except for the grants to LEA's and for State grants for science and math education.

Certain activities under the discretionary fund, such as the school-volunteer competition and projects on early childhood and preschool education will not be carried out because the discretionary fund vanishes July 1.

The science and math national programs and adult education research, development, and evaluation authority also will be changed and existing programs there will be jeopardized.

In impact aid, we'll have to implement changes in eligibility and entitlement for fiscal year 1988, this current year. This will result in no payments for regular B districts, a reduction in payments to super B districts, and a need to recover approximately $17 million in preliminary payments to approximately 800 districts.

We are working with the Congress to try to correct this problem. We know that Congress did not intend this legislation to cause disruption and confusion in the current fiscal year and current funding cycle. We have been working with the authorizing committees to identify the problems that exist in specific programs and to try to seek legislative relief that will address those. One of our principal problems is an appropriate legislative vehicle to address this issue. Again, July 1 is sort of the critical date here.

Let me briefly then summarize——

EFFECTS OF CHANGE IN IMPLEMENTATION DATE

Senator CHILES. With almost all of your programs forward funded, you know, are you seeking a legislative change just for the current funded program or all programs?

Mr. CARNES. Well, impact aid is current funded and that one we need legislative change on. A number of others, for instance, the discretionary fund projects, are current funded. In addition, the formulas change in other programs for counting eligible children, and those cycles are ongoing. That would require going back and applying new definitions and recounting. That would be, we think, seriously disruptive for the other programs as well.

But we would be happy to discuss this further with your staff just to nail down exactly what all these difficulties are and see if we can work together to try to do something about it.

We have received a letter signed by a number of Members and Senators indicating that this was not the intent of the legislation. We recognize that. Nonetheless, we are bound by what that legislation does say. So, we're hopeful that we can get it fixed.

TOTAL FUNDS REQUESTED

Just briefly then on our other programs, I particularly wanted to highlight some of the recommendations we have concerning funding for programs authorized under the Hawkins-Stafford amendments. Our original submission showed a total for the programs under those amendments of $5,973,000,000. That total remains unchanged. Our final recommendations for the programs authorized here differ only by $30 million from our original estimates. And as I say, the total stays the same. The $30 million difference is basically in the distribution of funds among programs, much of which was affected by program changes that have been enacted, changes in authorized amounts, or for a couple of programs that no longer exist.

COMPENSATORY EDUCATION

For compensatory education for the disadvantaged, chapter 1, we are requesting $4.6 billion, $238 million over the 1988 appropriation. This level will provide assistance to nearly 5.6 million disadvantaged children enrolled in about 14,000 school districts, or 90 percent of the districts in this Nation. This increase also includes funding for concentration grants, which will target funds specifically to local school districts with large numbers or percentages of children from low-income families.

SCHOOL IMPROVEMENT PROGRAMS

For chapter 2 State block grants, we're requesting $540.5 million, $61.8 million over the 1988 appropriation.

For the chapter 2 national programs, we would provide support for four mandated programs: the national diffusion network, inexpensive book distribution, arts in education, and law-related education. We would also support the new blue ribbon schools program authorized under the Hawkins-Stafford amendments.

The Hawkins-Stafford amendments also authorize funds for a new fund for innovation in education. We're requesting $4.6 million for that program which will be used to continue activities previously supported under the chapter 2 Secretary's discretionary fund.

For magnet schools, we are requesting $115 million, $43 million over the current level.

In addition, we are seeking $5 million to support alternative curriculum schools, also authorized under the Hawkins-Stafford amendments. These $5 million will be used for discretionary awards to school districts that, while not necessarily operating under a desegregation plan, could still benefit from the same kinds of assistance available to districts that are under such plans.

We are requesting $12 million for the fund for the improvement and reform of schools and teaching. This new program would support projects to improve educational opportunities for and performance by elementary and secondary school teachers and would seek to bring new talent into the teaching profession through a variety of methods, including alternative certification.

Our proposal also provides continued support for the second year of the 2-year dropout demonstration program, as well as funding for a number of smaller categorical programs.

BILINGUAL EDUCATION

We are pleased that Congress agreed with our recommendation to provide increased local flexibility in bilingual education, and we're requesting an increase of $10 million over the 1988 level for bilingual education to a total of $157 million.

ADULT EDUCATION

For adult education, our request is $150 million, the highest appropriation ever for this program. We'll continue our efforts to reduce adult illiteracy and increase adult basic skills proficiency.

These, Mr. Chairman, are the highlights of our request for 1989, and my colleagues and I would be happy to respond to your questions at this time.

SCHOOL REFORM AND INNER CITIES

Senator CHILES. Thank you. Ms. Dorsett, in an article in last week's edition of Newsweek, former Secretary Bell, along with the Carnegie Foundation, complained that the successes of school reform have effectively missed the large concentrations of black and Hispanic students in our inner cities. Recent trends in the dropout rate seem to support this opinion. While we've seen some slight improvement nationwide, dropout rates in our inner cities remain at intolerable levels.

Do you believe the school reform movement is bypassing our inner cities?

Ms. DORSETT. No; I really do not, sir. I do not believe that is the case. We have the dropout prevention program now that will provide funds in the amount of $24 million on a discretionary grant basis. The awards will vary anywhere from $50,000 to $500,000. All school districts, including those serving the disadvantaged, would be eligible for those funds. I do not believe that there are not enough funds for the disadvantaged.

Mr. CARNES. If I could just elaborate, Mr. Chairman, I think that what we need to have in school districts, such as you've just mentioned, is a better effort at the school reform movement. In areas where we have seen reforms implemented, we've seen a turnaround in those schools. Areas where we have not seen reforms implemented, we have not experienced the desired turnaround. We have documented many cases of schools that the authorities, including the police, regarded as hopeless, but some basic reform elements in those schools have produced good results.

What we would like to see, obviously, is encouragement of reform activities and incentives and for school districts to do more of it. We think that the reform movement actually is the best thing to help such students, rather than hurt them. We think they need it most and, unfortunately, are getting it least in too many cases.

Senator CHILES. Senator Burdick?

ELMINATION OF IMPACT AID B PAYMENTS

Senator BURDICK. Thank you, Mr. Chairman. My first question is to Ms. Dorsett. I believe you handle programs that deal with impact aid. Is that your category? Who handles impact aid?

Ms. DORSETT. Yes.

Senator BURDICK. In the administration's budget for fiscal year 1989, the Department of Education has again supported the deletion of funds for payments for category B students. You've stated in your budget justification that these payments are not warranted since these children are not a genuine burden to their school districts.

My schools in North Dakota tell me otherwise. We know that in rural areas where there are airbases, a great majority of economic activity comes from the base; that is, individuals live off base, but shop at the PX, receive their health care on the base, and so forth. So, the largest employer in the area is nontaxable and the commerce is conducted on the base in rural areas.

Can you explain to me why for over the past 5 years the Department of Education has continued to come before the committee supporting the elimination of B payments? On what basis are you stating that B payments are unwarranted?

Mr. CARNES. I think there's an easy test for that, Senator Burdick. It's clear that if these military installations constituted such a great burden to districts, the districts would be glad to be rid of them, but, in fact, they're not. They're glad to have them because they provide great economic benefits to the communities. And in point of fact, in general B students do not represent the same kind of burden upon the community as do A students. We believe that clearly we have a responsibility to provide relief for districts with A students. But in the case of those individuals who do live off the military reservation, they are paying property tax either through rent or through actual taxation, and they are doing a lot of good economically for that community.

We recognize that the Congress and the administration have not seen eye to eye on this over the years. It is, indeed, not just this administration, but other administrations as well that have had serious concerns about whether the B students are properly still factored into the impact aid account. I recognize your concern on that, but the fact is, as the administration perceives it, A students are certainly and clearly a bona fide responsibility. We owe it to these communities to offset the loss of tax revenue. We do not feel that in the case of B students because communities do not lose the tax revenue.

USE OF BASE FACILITIES BY B FAMILIES

Senator BURDICK. Well, I'm going to ask you a question about A students also.

But on the B students, think of all the activity that is transferred to the Federal Government. The children go out there and they eat and they have their medical care and they have everything else that takes this away from the local community. They just don't go out there and sit behind the desk. There is a lot of activity out there they perform. They spend their money out there. Shouldn't some consideration be given to the merchants in Grand Forks, for example?

Mr. CARNES. Well, there are individuals who clearly go onto the post or the military reservation to seek medical attention, but there are also many cases in which they don't do that. There are many cases in which they, in fact, do not shop at the commissary or do not shop at the PX but, in fact, avail themselves of the opportunities that the towns around these installations offer. Indeed, what you see almost always happening, wherever there is a military installation, is that businesses and the economy generally pick up because they, in fact, are getting business from people who are employed on the reservation. And even those who live on the reservation do a lot of their shopping and other transactions off the reservation. At the same time, those who are living off base do a considerable amount of their work there.

The sales tax, I might point out, is a very small part of the equation, in fact, in support of schools. And it's generally a property tax issue rather than a sales tax as——

Senator BURDICK. Are you telling me that somebody that works on the base in the city of Grand Forks at the noon hour goes back home to Grand Forks to have their lunches?

Mr. CARNES. No; I'm not addressing——

Senator BURDICK. Go out there 10 miles or more and back 10 miles?

Mr. CARNES. Well, I'm sure that that does occur, Senator. But in any case, we're not making a general proposal based on the situation of

Grand Forks. It is a general proposal which does affect Grand Forks quite clearly, but it is a proposal which reflects our view about the overall situation generally with regard to B students throughout the Nation.

Senator **Burdick**. Well, the same thing is happening in Minot. I'll give you Minot too if you want that. Same thing.

Mr. **Carnes**. I take your point, Senator. I know your feelings on this issue.

REQUESTED INCREASE FOR A PAYMENTS

Senator **Burdick**. Regarding payments now for the A category students, you are recommending a 2-percent increase for aid. Yet, payments to schools for these children have consistently been behind inflation since Gramm-Rudman. What is your rationale for proposing a funding level that doesn't even provide for inflationary increases? And 2 percent doesn't meet inflation.

Mr. **Carnes**. We were generally guided in our overall budget presentation by the 2-percent guideline agreed to by the Congress and the administration for discretionary domestic spending. We have tried to provide a 2-percent increase for most of our programs, in some cases being guided by that general guideline. In some cases we've sought additional funds and, indeed, for the entire Department, we are seeking almost double that 2-percent increase. But generally, the 2 percent reflects the guideline that was agreed to in the budget summit agreement last fall.

Senator **Burdick**. Well, I would think these programs out there more or less are very necessary for the defense of this country and that these people shouldn't be treated any differently than the people who are not on the bases. I don't think 2 percent is comparable to what other people are getting.

Mr. **Carnes**. I hear you, Senator.

Senator **Burdick**. You hear me.

Mr. **Carnes**. Yes, sir.

Senator **Burdick**. The next question is for Mrs. Guiton.

Ms. **Guiton**. Yes, sir.

VOCATIONAL EDUCATION CONSUMER AND HOMEMAKING PROGRAM

Senator **Burdick**. In your budget proposal, you indicate that States make use of funds from the basic grant programs to support activities such as consumer and homemaker education. Consequently, there isn't a need for direct funding for consumer and homemaking education. The problem I see with your proposal is that it stretches minimal resources even further. In North Dakota, 136 out of 230 school districts have as their only source of vocational educational funds the Consumer and Homemaking Education Program. Elimination of these funds means elimination of many of the other programs.

What do you suggest that the schools do to continue to meet their needs currently addressed by consumer and homemaker education? Even if States were to redirect some of the basic grant money to these activities, some other vocational programs will be compromised as a result. Don't you agree? So, when you do something about consumer and homemaker education, you're doing a lot more damage to the curricula.

Ms. GUITON. Well, Senator Burdick, as you know, our approach was not to eliminate consumer and homemaking or community-based organizations or bilingual vocational training, but simply to redirect the funds to the basic grant. It is not our expectation that those programs would be eliminated, but rather would continue to be supported by the States. I believe, that consumer and homemaking and home economics is an integral part of the curriculum and will continue to be supported by the schools and by the States.

With education being a decentralized process, I think that the States can determine their priorities as they relate to these programs. That is the rationale for redirection of the funds and increasing the basic grants to the States to give them that flexibility. I spend a lot of time out in the States, and I hear a lot of different concerns as to their need for more flexibility. This budget proposal is an attempt to respond to the various requests that I've had.

STATE MATCHING REQUIREMENTS

Senator BURDICK. As I understand the situation, it's the educational funds and the consumer and homemaking education programs that will now be part of the program ~~that~~ requires matching.

Ms. GUITON. I beg your pardon, sir?

Senator BURDICK. As far as matching with State money.

Ms. GUITON. Yes; I believe it will be.

Senator BURDICK. Heretofore, that has not been required.

Ms. GUITON. Well, it already has the largest overmatch of any vocational education program. It receives an overmatch of 20 to 1 presently, which I think signals a very strong support for home economics.

Senator BURDICK. Well, my staff tells me the Consumer and Homemaking Education Program is not a matching program. It does not have to be matched. It's 100 percent Federal Government.

Mr. CARNES. That is correct, Senator. I think the point Ms. Guiton was making is that vocational education itself is greatly overmatched. She cited a figure of $20 non-Federal for every $1 Federal.

INCREASING STATE DISCRETION

Generally, you see in our budgets, as I'm sure you've seen in other administration budgets in years past, a desire to avoid categorical programs to the extent possible and instead to try to allow States to have the greatest discretion that they can in the allocation of those resources.

We're not eliminating funding for those programs. The authority still exists. What we're suggesting is that the States and localities should have the discretion to put whatever resources they want into an activity. Rather than carving up a tiny little piece of money among many different localities and States, what we're saying is let's collapse the authority and give more flexibility to States and localities to allocate those resources as they see best. Should your State want to put more funds into this activity, that would be perfectly allowable.

PERFORMANCE STANDARDS

Senator CHILES. At the same time, you're talking about imposing stricter standards.

Mr. CARNES. Yes, sir.

Senator CHILES. Is that a contradictive thing?

Mr. CARNES. No; I don't think so. One of the concerns that we have—and we are, as I believe you are aware, involved in a long and major study, a national assessment of vocational education—is that, after people have gone through vocational education programs, they are better off for having done so. They are employable. They're able to get jobs. They have received training that gets them licensed. I think that there are a number of serious doubts about that overall situation. I think there's a great deal of variety throughout the country in the quality of these programs and whether they're results oriented.

What we're trying to say here in the area of vocational education is that the kinds of principles that are now becoming embodied in chapter 1 are the same kinds of principles that we think ought also to be embodied in vocational education, more of an emphasis on what the final product is, on what the outcome is. If we're going to spend $1 billion a year on it, and the States are going to spend $15 billion a year, I think we owe it to the students to make sure that those programs are producing results that are worth that effort.

EFFECT OF ELIMINATING CONSUMER AND HOMEMAKING PROGRAM

Senator BURDICK. I simply want to get the record straight. As I understand it, the consumer and homemaking education programs are not matched under the present law.

Ms. GUTTON. You are correct. It is not matched under present law.

Senator BURDICK. After your proposal has been accepted, they would match 50–50.

Mr. CARNES. Yes, sir.

Senator BURDICK. Now, isn't that a cut in the program?

Mr. CARNES. I will say that it is not a cut in Federal funding for that activity. The total amount of dollars will stay the same.

Senator BURDICK. If that isn't a cut, where is the 50 percent coming from?

Mr. CARNES. What we're saying is that the States are already putting in huge amounts of money, and they don't have to contribute any more money since they already overmatch so much. They don't have to put in any more money in order to use these funds for the consumer——

Senator BURDICK. Oh, no. They don't have to have the program at all.

Mr. CARNES. I beg your pardon?

Senator BURDICK. They don't have to have the program at all. That's true.

Mr. CARNES. That is correct.

Senator BURDICK. But if they want the program——

Mr. CARNES. They've got it.

Senator BURDICK. They've got it, but they pay 50 percent more.

Mr. CARNES. They're already paying that. They would not need to contribute any more funds. They're already matching that in their basic vocational education program. They do not have to increase their contribution in order to put funds into these areas.

Senator BURDICK. Well, didn't you say a minute ago that the consumer and homemaking education programs are not matched?

Mr. CARNES. What I'm saying is that the Consumer and Homemaking Program does not have a matching requirement, but the States way overmatch the program anyway.

Senator BURDICK. But on these programs, there is no matching requirement.

Mr. CARNES. That is correct.

Senator BURDICK. Just to get it straight.

Mr. CARNES. That is correct.

Senator BURDICK. And after your amendments are adopted, they'll be matched.

Mr. CARNES. Which is already being done. The States would not have to increase spending in this area.

Ms. GUITON. May I add one thing, Senator Burdick? What we are saying is essentially that right now without a matching requirement, consumer and homemaking is receiving a $20 to $1 match. For every Federal dollar they're receiving, they contribute $20, which indicates a very strong support without a mandate for it to be matched. There is no reason to believe that that support would dry up. We think that it is there because it is considered to be important, because people believe in it, and they're doing it without Federal requirements.

Senator BURDICK. But what neither one of you have said hasn't changed my premise that the Consumer and Homemaking Education Program today is not matched. After this legislation is passed, as you want it, it will be matched.

Mr. CARNES. It will be and it is being matched. States are already paying 100 percent for English, math, and social studies as it is.

MAGNET SCHOOLS FUNDING REQUEST

Senator CHILES. Ms. Dorsett, as part of your reauthorization proposals for magnet schools, the Department requested that funds appropriated above the current level be available to school districts that are not undergoing desegregation. The Justice Department has told us that more than 540 school districts are still trying to comply with desegregation court orders. Many of these are trying to use magnet schools' funds as part of their efforts. The last time you held a competition for the program you received 126 applications for more than $250 million in assistance. You were able to fund 38 grants totaling $75 million.

Given these figures, shouldn't we be continuing to focus our limited Federal funds to school districts trying to comply with court ordered desegregation?

Ms. DORSETT. Yes; I do agree with that, sir. But I also would say that the alternative curriculum school program is similar to the magnet school grants. However, schools that are not desegregating under court order can also get alternative schools curriculum program funds for their schools, similar to the magnet schools program.

FUNDING SCHOOLS NOT UNDER COURT ORDERS TO DESEGREGATE

Senator CHILES. Well, but if the purpose of this program to start with was trying to assist schools to comply with the desegregation orders, and if we still have a lot of them out there that we haven't assisted, which seems to be true by the fact that you only funded 38 grants, and you had 126 applications, you only spent $75 million and you had $250 million requested, why are we going off into something else when we haven't taken care of the problem that is before us?

Again, the new elementary and secondary reauthorization act forbids the committee from funding your nondesegregation alternative until appropriations for the regular magnet school program reaches $165 million. Even so, you're asking we override that basic law and appropriate $5 million for your new proposal.

Mr. CARNES. We are providing a major increase in magnet schools, Mr. Chairman, a significant increase in funding for that program, for schools that are under desegregation agreements or court orders. This is the largest——

Senator CHILES. Is that increase going to be enough to help those that are still under court order?

Mr. CARNES. Well, as you pointed out, in the last competition, we had 126 applications. But we don't always fund every single application that comes in the door. And I don't believe that the intent of this program ever was to fund every single application that we receive. There is certainly a threshold in part A that requires desegregation or court order, but there are other criteria that have to be met as well. The applications do have to compete. What we're saying is we think there is a level of demand out there for this that $115 million is adequate to address and will really get us going pretty well on this.

Additionally, you're quite correct—we're asking for an override to allow us to extend the same opportunities with only $5 million to a number of other districts that might want to adopt this method. We think that there is no reason why a school district should have to wait until it comes under a court order before it attempts to do something about the situation. This $5 million program will provide that opportunity for a couple of school districts to anticipate such issues and implement programs that achieve desegregation, as well as choice.

Senator CHILES. But a voluntary compliance is authorized. Right? If you're voluntarily complying with an order that is coming down the pike, you can qualify.

Mr. CARNES. Yes, sir; I believe that's correct.

IMPACT AID ACCOUNTING PRACTICES

Senator CHILES. Ms. Dorsett, this past September, you received a report from the inspector general that was highly critical of the accounting practices in the Impact Aid Program. The report identified $70 million that never reached the school districts for which it was intended and lapsed at the end of the year. It also raised questionable practices in the Impact Aid Program, including an incident in which the staff knowingly obligated $63 million to school districts that were not eligible for those funds simply to show that all the funds were obligated by the end of the fiscal year.

What have you done, since receiving that report, to improve the accounting practices and procedures in the Impact Aid Program?

Mr. CARNES. We are doing a couple of things, Mr. Chairman. No. 1, we have increased the staffing resources in the Impact Aid Program in order to try to make that a more effective and efficient operation.

In addition, we are automating and bringing into the modern age, if you will, the accounting and payment system that is used in the Impact Aid Program. We have a contract and we are working——

REDUCTIONS IN PAYMENT DELAYS

Senator CHILES. Are those improvements going to solve your late payments?

Mr. CARNES. I'll tell you. The Impact Aid Program is like putting socks on an octopus. That is the most challenging program I think I have ever encountered, in part because of the fact that it is current year funded, and you have at the very beginning problems with reconciling basic kid counts where you start with estimates at the beginning of the year. You've got to make your payments on the basis of estimates. But then you have to rectify those payments later in the year. That causes a fundamental dislocation in the program because you're making payments on the basis of estimates and then redoing the payments. That in itself causes a tremendous amount of confusion, and that's because the program is current year funded.

To be quite frank with you, I think we can improve the program, but I don't think we're ever going to get the program as it is currently structured to a position where it runs as smoothly as a number of our other programs. And, indeed, I'm concerned that the enactment of H.R. 5 has actually complicated matters and could conceivably lead to even more confusion and difficulty in the program.

We're trying to do our best. We recognize it is——

Senator CHILES. Should it be forward funded?

Mr. CARNES. Yes, sir; but I don't know how you can do it. I don't know how you can come up with the money to do it, frankly, and get it onto that kind of cycle.

DRUG AND ALCOHOL ABUSE REGIONAL CENTERS

Senator CHILES. One of the highlights of the drug abuse report by the School Boards Association is the importance of trained teachers and counselors who can identify and intervene with students who are abusing drugs or alcohol.

The Education Department's five regional assistance centers are charged with assisting the States and school districts with these training needs.

How well are these five regional centers meeting these needs? Knowing the responsibilities were greatly expanded by the passage of the Drug Free Schools Act, has there been any assessment of the centers since this expansion?

Ms. DORSETT. Well, the five regional centers have been established to train school teams in effective approaches to combat drug and alcohol abuse, and they have done that very effectively. They have assisted State educational agencies in coordinating their own programs. In addition to that, they have assisted local education agencies and institutions to develop training programs to educate those who work with students to prevent drug problems in the schools. They have disseminated information. They have evaluated programs, and to my knowledge, have been very, very effective.

Mr. CARNES. It's still early days on that, Mr. Chairman. And the centers were just recompeted, and five new centers have been created. And it's still early days to tell exactly how effective they have been, as it is, indeed, to tell how effective the use of any of the money has been in the drug program. Schools are just getting up and running with their programs. And so we are, in fact, going to be doing an assessment of how effective the whole thing is. It's still early days I think.

DISSEMINATION OF SUCCESSFUL DRUG PREVENTION PROGRAMS

Senator CHILES. Are the findings of your research on successful prevention programs being disseminated to these regional centers and to the local students?

Mr. CARNES. Yes; they are. In addition, as I think I mentioned yesterday, we are providing a curriculum guide to States and localities to help them select curricula that they will be able to put in their schools. As you know, there are scores of curricula, and schools need and are asking for help in trying to pick out which one to use.

FUNDING FOR PROGRAMS FOR THE HOMELESS

Senator CHILES. A number of other Federal agencies are requesting the Congress to maintain funding for the homeless programs, while simultaneously reducing their overall budget. The Education Department is asking for an $850 million increase, but also asking us to terminate the two small education programs for the homeless. Those programs seek to ensure that homeless children can continue to be assigned to a school, and they also provide literacy training for some of the homeless adults.

Why are you walking away from your efforts for the homeless while the other agencies are maintaining or enhancing their efforts?

Mr. CARNES. The administration's overall approach on the homeless has been to try to have a unified strategy. The funding in 1989 for the homeless will, in fact, be $390 million, under the administration's overall proposals for all agencies, including the Department of Education. That is $16 million over the 1988 appropriation.

We are seeking not to have categorical mandates for the homeless in our programs. We did provide funds in both the Adult Education Program where we've got a major increase and in the chapter 1 program for States to support programs for the homeless. This far more than offsets the reduction that we're proposing in those two small programs. At the same time we are going to be encouraging the States and localities to serve this clientele, to serve this population without the specific mandate.

I might just add that these funds, in many cases, were not intended and would not provide actual services to children. Rather they were to create a bureaucracy, if you will, a superstructure that was to coordinate activities, but actually would not be used to provide services for kids.

Senator CHILES. But these funds are designed to try to require States to have an outreach program to seek these kids that aren't in school, that aren't there to avail themselves of chapter 1 or something else. If you cut this off, where is that going to happen?

Mr. CARNES. You're right. We think that the States certainly should be encouraged to do that. I guess where we differ is whether we would require the States as a matter of Federal law to do it that way. We have included the funding for them, if they elect to do so. But we are not in favor of a mandate.

Senator CHILES. I think we differ with you on that.

Mr. CARNES. I expected you would.

FUNDING FOR WORKPLACE LITERACY ACTIVITIES

Senator CHILES. Ms. Guiton, I want to commend you for the recent report your agency published, along with the Labor Department, on workplace literacy. The report emphasizes what businesses and schools can do to join as partners and address the problem of a literate work force.

Last year the Congress provided about $10 million for workplace literacy partnerships, a small program introduced by myself and Senator Rockefeller that follows many of the suggestions you made in your report. Your Department tells us you're receiving a large number of applicants for this program.

Given that you are asking for an increase in literacy activities, why are you asking us to terminate funding for the workplace literacy program?

Ms. GUITON. Senator Chiles, let me say first that we're excited about the program and about the response that we received from it. We are again not asking to eliminate the program but rather to redirect funding for it to the States. We have found that the most effective catalyst for these programs has been at the State and local level. And we want to encourage that as opposed to having it at the Federal level.

The most effective programs, as we have been monitoring them, are in fact there in the States. The commitments are from the States and we believe that that will continue to be there with our support.

STATE-FUNDED WORKPLACE LITERACY PROJECTS

Senator CHILES. Do you have reliable data on the number of workplace literacy projects currently being supported by the States? And how do we know the States will be willing to fund the flood of applications that we're getting for the Federal funds?

Ms. GUITON. We have some data, Senator Chiles. I'd be happy to submit to you what we do have. I do not have it at my fingertips here. But we do have a strong reason to believe that the States will support the programs.

[The information follows:]

WORKPLACE LITERCY PROJECTS

We estimate that there are approximately 1,600 workplace projects in 37 States serving over 40,000 adult learners. This estimate includes projects that result from agreements or partnerships between business and industry representatives and adult education providers to provide instruction to employees. This instruction includes adult basic, English as a second language, and adult secondary education, and may be provided either at the worksite or elsewhere.

USE OF IMMIGRANT AND REFUGEE EDUCATION FUNDS

Senator CHILES. Ms. Coro, your office has proposed regulations for the Refugee Education Program and proposed legislation for the Immigrant Education Program to restrict these funds to meeting the special needs of our immigrant youngsters. An important principle behind this program is to reimburse school districts for the additional cost brought about by Federal actions. For example, the revival of our immigration pact with Cuba is expected to bring an additional 4,500 students just to Dade County, FL.

Since the school districts are getting less than one-tenth of what it costs them to educate these children, why are we restricting these funds to a limited list of activities?

Ms. CORO. We believe that the legislative proposal is needed because it will require that the funds are used for supplementary educational services that will not supplant, but rather supplement, basic educational services. And we believe that is the way to fund this program.

Senator CHILES. Well, since most of the school districts are already bearing the cost of these special services, isn't this just going to be another bookkeeping hassle that we are putting the districts through?

Ms. CORO. I think that we should follow the same approach as with other Federal programs, especially with the Bilingual Education Program. Funds will be used to supplement local resources and provide the special services these children need.

Mr. CARNES. This is a requirement, if I could just interject, Mr. Chairman, the supplement, not supplant provision. It's a requirement that is typical in Federal education programs. What we are seeking to do is simply to ensure that the funds here are supplemental and they don't supplant existing State and local efforts, that the State maintains its level of effort. We will provide these funds to supplement those efforts, and we also want to make sure that they are targeted on educational services. So, I think this just brings this program into line with all of our other elementary and secondary education programs, notably chapter 1.

Ms. CORO. If I may add also, the legislative proposal would prohibit double counting, which is something that has happened in the past with the immigration and refugee programs.

DATA ON SCHOOL DROPOUT RATES

Senator CHILES. This year the Department released its annual figures on dropouts, and they showed that while the dropout rate for Florida has improved slightly, it has sunk from being 49th in the Nation to dead last. We certainly know we have a problem in our State. It's the top priority of our education commissioner, one of the reasons that I both authorized and provided $24 million for the new dropout demonstration program.

Secretary Bennett told us last year, however, that when you look 1 or 2 years beyond the usual graduation date, the figures change dramatically. I've also learned your figures do not count the recipients of general equivalency diplomas——

Mr. CARNES. Right.

Senator CHILES [continuing]. Or the special diplomas we provide in Florida to our handicapped students. Students that enter our vocational centers before grade 12 aren't counted either. There is also some question as to how these figures treat a highly mobile population in a State like Florida.

Mr. CARNES. Right.

FINAL GRADUATION DATA

Senator CHILES. You know, anybody can say it would be different if the figures were wrong. But if we have information that shows this, why don't we publish that? Why do we keep publishing in the general format if we really have the data out there that shows what that graduation rate is down the line? I mean, Florida is still going to be intolerable I think.

Mr. CARNES. The information that we have published—you're quite right—has those data problems. Basically, the information that we're using is reported to us by the States and this is typically the way the States count their dropouts. What they do is they track kids from the ninth grade and they say how many of those kids graduated on time 4 years later. You're right. It misses people who come back 2 years later. It is, to that extent, a measure that has to be used while understanding its limitations.

It is clear that we need to improve the data on graduation. This is an effort that we are trying to make, and we're hopeful that with an increase in funds and better statistics that we will be able to address this issue as well. The dropout problem tends to be a hard one to pin down.

Even with the limitations of the data, you can, nonetheless, see certain kinds of trend lines. And the trends are that, nationally, dropout rates are improving, but within certain areas in certain States or within certain urban areas, the trend lines are not the lines that we would like to see. I think that you have to look at the trends when you use these kinds of data bases more than you look at the actual numbers. Clearly, dropouts are a problem. We are at an all-time high, but at the same time there is more that we need to know there.

My staff tells me that under H.R. 5 we're supposed to develop a definition of dropouts within 60 days which will deal with this problem by providing us a consistent and standard measure that we can then apply to these counts.

But you're right. The data have problems, and it's like measuring performance on the SAT. It's a blunt instrument, but it's the only instrument we've got right now. The data are blunt, but they do tell you something in the way the lines are moving even though it isn't real good in pinpointing the exact percent.

Senator CHILES. Well, I think it would be good if we could get a better parameter.

Mr. CARNES. Right, I agree.

Senator CHILES. It would help everybody understand.

Mr. CARNES. Yes, sir.

SERVICE REQUIREMENTS FOR BILINGUAL EDUCATION FELLOWS

Senator CHILES. Ms. Coro, your office provides fellowships to graduate students who pursue degrees related to bilingual education.

Ms. CORO. Yes, sir.

Senator CHILES. The terms of the program are that the students are required to work in the field for as many years as they received fellowships. If they do not, they are required to pay back the amount they received from the Government. We understand that only one-third of the students that receive the fellowships ever completed their academic program, also that many that have completed their degrees have not fulfilled their requirement to work in the bilingual education field.

Do you know what percentage of the fellowship recipients have fulfilled their requirement to work in that field?

Ms. CORO. Yes; we will provide the exact figures for the record, Mr. Chairman. We have provided the information also to the proper authorities on those who are in default.

[The information follows:]

DATA ON PAST FELLOWSHIP RECIPIENTS

The Office of Bilingual Education and Minority Languages Affairs [OBEMLA] recently completed an analysis of program data on all fellowship participants for the period 1979–86. More recent participants are not included in the analysis because data on their status are not yet complete. Contracts signed by fellows require them to report on their postfellowship employment within 1 year of ceasing to be a full-time student.

Of 1,604 participants, OBEMLA currently has sufficient data on which to make a determination of status for 1,418. In the other 186 cases, OBEMLA has had recent correspondence with the fellows and is waiting for information needed to determine their status.

Of the 1,418 cases, 830 (59 percent) have fulfilled the requirement to work in the field of bilingual education for a period of time equivalent to the period during which they received the fellowship. Another 316 fellows (22 percent) are currently working in the field of bilingual education, but have not yet completed the requisite period of time. In 148 cases (10 percent), fellows are in compliance with their contractual obligations in some other fashion (for example, full-time student, have agreed to repay, obligation deferred, obligation waived). In the remaining 124 cases (9 percent), fellows are in default of their contractual obligations.

An earlier review of program data, based on a smaller group, found that at least 31 percent of past fellows have received their degree. OBEMLA expects this percentage to rise as more complete data are obtained.

BILINGUAL EDUCATION FELLOWS

Senator CHILES. Well, given that the Department has known about this problem for some time, what are you doing to collect the funds that are owed by the fellowship recipients that have not fulfilled their work requirement?

Ms. CORO. Well, as I said, we provided the information to the Inspector General's Office. I cannot speak for the inspector general, but I assume that they will be following up on that information.

We are also funding a supply and demand study this year, in fiscal year 1988, to determine to what extent there is a need for the 500 fellows that the legislation requires be funded annually.

ENFORCEMENT OF REQUIREMENTS

Senator CHILES. Well, it seems to me if this program is going to work at all, it has to have some teeth in it and the parents have to know or the students have to know that these are requirements that are binding. We've tried to do this in the health field. We've tried to do it in other areas. But if it's out there that, one, you can drop out of the program and not complete your work and not pay back or go out there and not fulfill the obligation, it doesn't take long before everybody feels like that—regardless of what the print says, that's what happens. That's what we saw with the whole thing of student loans when we were doing anything to enforce them, and everybody just felt like that's something I'm entitled to.

Ms. CORO. Yes, sir; we also have a fellowship tracking system in place internally, and I understand that we have received from the IRS information to help us locate those who are in default. That's my understanding. That's what we're doing as far as our program is concerned.

Mr. CARNES. You're absolutely right, Mr. Chairman. We do have to do a better job on that. There is no question about it. We'd be the first to admit that. We are disturbed about that. We're unhappy about the information we have, which is the information that you have. That is on our plate of bones that we've got to gnaw on, and we are, as Mrs. Coro points out, trying to address that problem. This is always one of the problems you have when you have a program that is set up to provide a grant and then there are conditions that must be met several years down the road by the recipient. This creates a tremendous problem of tracking and measuring the time that the person actually had the fellowship and the time that he taught and equating that. It's tough, but we ought to do it. You're right. I agree.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator CHILES. Well, we'll have additional questions for the record, and I think some of the other members will too. Senator Weicker is not back, but I'm sure he will have some questions for the record.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTION SUBMITTED BY SENATOR LOWELL P. WEICKER, JR.

CHALLENGE GRANTS

Question: You are seeking a new type of authority to increase spending in various programs by way of "Challenge Grants". How would this plan work and which programs or activities would you seek increases under such an authority?

Answer: The legislation we are proposing would amend the General Education Provisions Act to authorize the Secretary to award challenge grants under any of the discretionary grant programs of the Department.

A challenge grant is similar to a matching grant, but it is specifically designed to provide an incentive for fund raising. Under a matching grant, the recipient must agree to match the Federal assistance, perhaps with funds already available. Under a challenge grant, the Department would agree to match, up to a specified limit, all new revenue raised by the recipient from nonfederal sources for the approved program.

Challenge grant competitions would be announced under specific programs, and they would be separate from any other competitions held under those programs. We don't anticipate making all of the awards under any given program challenge grants. A challenge grant would be awarded only for activities authorized under the program from which the funds are awarded. We are not seeking increases in any of our discretionary programs specifically for challenge grants. The grants would be made using a portion of the regularly available funds.

The benefits of a challenge grant program are that it would encourage recipients to develop a broad base of private funding for their activities, allowing Federal funds to function truly as "seed money," and it would help stimulate partnerships with the private sector by increasing public awareness of, and involvement in, educational programs.

Some of the places we might use the challenge grant authority are:

- the new Fund for Innovation in Education;
- the Science and Math Discretionary Fund;
- Federal activities under the Drug-Free Schools and Communities Act;
- Projects with Industry under the Rehabilitation Act;
- FIPSE and the new Fund for the Improvement and Reform of Schools and Teaching; and
- Special Programs for the Disadvantaged under the Higher Education Act.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

COMPENSATORY EDUCATION FOR THE DISADVANTAGED

TARGETING CHAPTER 1 SERVICES ON THE MOST NEEDY STUDENTS

Question: Ms. Dorsett, in previous hearings before this Committee, the Department has complained that while Chapter 1 funds have been targeted to schools based on their enrollment of eligible children, Chapter 1 funds have not always been targeted by the schools on those students who are the lowest achievers and most in need of help. This year the Department is requesting funds for concentration grants within Chapter 1 that will further target funds to schools with high concentrations of eligible students.

The Administration proposed a series of reauthorization proposals to target services to the lowest achieving students which are reflected in the new Elementary-Secondary Act recently signed by the President. Do you believe we will see greater targeting on the lowest achieving students?

Answer: Yes. P.L. 100-297 authorizes Concentration Grants which target Chapter 1 funds to counties and local school districts with at least 6,500 children from low-income families or a poverty rate of 15 percent or more. The law further provides that any amount in excess of $3.9 billion appropriated for Grants to LEAs (up to $400 million, or 10 percent of funding if the LEA Grant appropriation exceeds $4.3 billion) be allocated to counties and LEAs based on the Concentration Grant formula. We believe that the Concentration Grant provision, in conjunction with our revised 1989 request of $158 million for that program, will improve the targeting of resources to areas with the highest concentrations of poverty -- areas that have the greatest need for Chapter 1 assistance.

Within school districts the new law continues to require generally that LEAs first serve those areas within their districts that have the highest concentrations of poverty and that they select educationally deprived children most in need of compensatory educational services to participate in the program. The law also restricts the use of the "no wide variance" provision, which is used by school districts with fairly uniform concentrations of poor children to spread funds among all school attendance areas.

ENHANCING PARENTAL INVOLVEMENT IN CHAPTER 1

Question: Ms. Dorsett, all parties involved in the Chapter 1 program have commented on the importance of enhancing the involvement of parents in the educational progress of their low-achieving children. You have had a lot of experience with the Chapter 1 program as a program administrator in the New York City schools. What can you tell us about how we can enhance the level of parental involvement in the Chapter 1 program?

Answer: As legislators and administrators, we have done much in P.L. 100-297 to make clear that parents are to be involved in every phase of the Chapter 1 program at the project level. The law specifies the kinds of activities local school districts must carry out to involve parents. However, productive parental involvement involves more than just legislation requiring that certain kinds of activities take place. It requires a willingness and time commitment by both school personnel and parents to make parental involvement effective. Each local school district and school must be free to explore successful techniques for parental involvement and use approaches that best meet their needs. The Department will provide active leadership and support to local efforts by providing information on successful approaches involving parents and encouraging local education officials to develop approaches for enhancing parental involvement that meet their special needs.

TERMINATION OF HEP AND CAMP

Question: Ms. Dorsett, the Administration is again asking us to terminate funding for the HEP/CAMP program. This program takes our most at-risk population, our migrant students, and moves them through high school and on to college. Your justification for this cut is that this program has a very high cost for each student served. This is the same justification we have gotten in past years to cut other residential programs like the Job Corps. Has the Department considered the fact that this program is expensive because it is residential? Many of these migrant high school students, if they didn't have a residential program, would be living in a migrant work camp, or out of a car -- they might even be homeless.

Answer: Yes, we have considered this issue. An examination of HEP projects funded from the fiscal year 1987 appropriation shows that 16 projects provided services to students who commuted and that seven projects served both commuters and residential students. Among all projects examined (15 of 19 projects funded), 68 percent of the students commuted rather than resided on campus. Thus, the residential component of this program is not the primary factor behind its high cost.

CHAPTER 1 EVALUATION AND TECHNICAL ASSISTANCE

Question: Within the evaluation and technical assistance activities in compensatory education, your expenditures for "other evaluations", as documented on page 37 of your budget justification, shows an increase from $581,000 in 1987 to $3,255,000 in 1988. Please provide an accounting of the evaluation activities under this heading for 1987 and 1988. Please indicate the amounts spent for each activity.

Answer: The "other evaluation" activities category for 1987 includes:

	1987 Appropriation
Studies: Other Evaluations	
Data base development and analysis of the Chapter 1 LEA Grant and Migrant programs	$150,000
Literature reviews and data analysis of effective schools	75,000
Technical support on study of children at risk	85,500
Chapter 1 formula analysis	50,000
Evaluation of Technical Assistance Centers (TACs)	100,000
Analysis of issues related to reauthorization legislation	120,500
Total	581,000

1988 CHAPTER 1 EVALUATION ACTIVITIES

For 1988 a breakout for all Chapter 1 evaluation activities is provided. This listing is based on the revised 1989 request and differs from what was originally shown in the 1989 justification submitted in January.

	1988 Appropriation
Mandated Activities	
Longitudinal study	$250,000
Mandated study of funds distribution	75,000
Chapter 1 Technical Assistance Centers (TACs)	2,624,000
Development of national standards for Chapter 1 evaluation	250,000
Subtotal	3,199,000
Administration Initiatives	
Chapter 1 recognition program and sourcebook preparation	144,181
Study of Chapter 1 services in secondary schools	100,000
Study of academic instruction in Chapter 1 programs	1,000,000
Migrant education study	819,945
National assessment of vocational education--disadvantaged portion	350,000
Neglected and Delinquent Study	251,055
Case studies of effective service delivery systems to nonpublic Chapter 1 students	150,000
Study of strategies for adding time to Chapter 1 instruction	100,000
Subtotal	2,915,181

	1988 Appropriation
Other Issues	
Elementary and secondary analysis and support	$350,000
Data analyses	465,000
Other activities	251,819
Subtotal	1,066,819
Total	7,181,000

ASSESSMENT OF VOCATIONAL EDUCATION

Question: Your justification indicates that you will be assessing "the relationship between Chapter 1 and vocational education services for the disadvantaged. What is the current status of these assessments and when will you be in a position to report on the results?

Answer: Chapter 1 has contributed funds to several studies that examine vocational education services provided to educationally disadvantaged students. The first study, whose findings were released in January 1988 as part of an interim report of the National Assessment of Vocational Education, examined the implementation by States and localities of the set-aside provision for the disadvantaged under the Perkins Act. Other activities supported by Chapter 1 include the identification of exemplary vocational education programs that enhance the basic skills content of vocational education programs for the disadvantaged and provide assistance to disadvantaged students in making the transition to work. This activity is expected to be completed in January 1989.

STATE CONTRIBUTIONS FOR COMPENSATORY EDUCATION

Question: Ms. Dorsett, what can you tell us about State contributions for compensatory education? Roughly how many States have their own compensatory education programs? Have their number and contributions increased over recent years? Is the funding for these State programs generally mixed in with Federal funds or do they provide a special service that is distinct from the services provided with Federal funds?

Answer: Sixteen States funded compensatory education programs in school year 1984-85. Eight additional States have authorized compensatory education programs since that time. Their contributions have generally increased. However, the contribution in each State has varied over time because of individual State economic conditions. A 1985 study on trends in Federal and State funding of compensatory education revealed that 7 of the 16 States increased the level of funding as Federal funds increased. In that same period, 4 States decreased funding while Federal funds increased. Funding for compensatory education in the other States remained stable.

Each State designs its compensatory education program according to its own needs. States generally require that the State program be coordinated with the Chapter 1 program. This enables the local educational agencies to serve additional children -- some in other grade levels, some in other subject areas, some in other schools, and some in other supportive activities. Other States authorize only summer, evening, and weekend activities for students who have failed during the academic year.

CHAPTER 1 SERVICES FOR NON-PUBLIC SCHOOL STUDENTS

Question: Ms. Dorsett, as part of the Administration's reauthorization proposals to Chapter 1, you proposed a voluntary voucher plan as a method to provide Chapter 1 services to private school students. As you know, getting these services to private school students has been a problem since the 1985 Supreme Court decision that disallowed the use of public school teachers for this purpose. The new Elementary/Secondary Act did not authorize your voucher plan, but it did authorize a program to pay the administrative costs of alternative instruction methods in private schools like mobile classrooms or computer instruction. Do you believe this alternative will help increase the number of private school students receiving Chapter 1 services? What information do we have on the declining number of private school students receiving Chapter 1 services since the Supreme Court decision?

Answer: We question whether this provision will increase the number of private school children served since funds appropriated may be used to reimburse districts for expenses already incurred.

The number of private school children served by Chapter 1 from 1984-85 (the school year prior to the Felton decision) through 1986-87 (the last year for which actual data are available) are as follows: 1984-85, 174,097; 1985-86, 129,418; and 1986-87, 150,003.

QUESTIONS SUBMITTED BY SENATOR LOWELL P. WEICKER, JR.

NEGLECTED AND DELINQUENT PROGRAM

Question: For a number of years, the Department of Education has indicated problems associated with the Chapter 1 State program for Neglected and Delinquent youngsters -- most of whom are in residential facilities. A 1986 Department of Education funded report found this program suffers from poor quality of information on those served, the effects of services, and a variety of other problems. Since "accountability" seems to be a new theme of the Education budget, what specifically is the Department doing to address such problems and make the $33 million program for Neglected and Delinquent youngsters more effective?

Answer: The 1986 study, a small-scale assessment of the State grant program for institutionalized neglected or delinquent children, was the prelude to the large-scale assessment now underway that is due for completion in early 1990. This study will provide information on: (1) the services provided; (2) the population served; (3) the administration of the program; and (4) attributes associated with effective programs.

The 1986 study examined data from the first reports that States were required to submit for the Chapter 1 Neglected and Delinquent (N and D) program. Since that time, the Department has clarified the reporting requirements and provided guidance for completing the report. More complete and accurate data on participants and program services are now available.

The Department is working to improve the quality of the N and D program in several ways. It has actively sought to include unusually successful N and D programs in the Secretary's Recognition Program. Over the four years of this activity, 13 N and D programs have achieved recognition and have been included in publications disseminating information about successful program practices. The Department also conducts monitoring visits to N and D projects to review for program quality as well as compliance with statutory provisions. Also, the Technical Assistance Centers provide assistance to States in evaluating program effectiveness and helping projects use this information to improve program quality.

MIGRANT EDUCATION PROGRAM

Question: The recently enacted H.R. 5 reauthorization bill for Elementary and Secondary Education programs expanded the age eligibility for migrant students under the Chapter 1 State migrant program such that now migrant children between the ages of 3-21 instead of 5-17 are counted for funding purposes. In your original budget submission you proposed to freeze this program at the fiscal year 1988 level of $269 million. In your revised submission to reflect a number of H.R. 5 changes, are you proposing to increase your request for the Chapter 1 migrant program to accommodate these new children based on the age eligibility change? If not, why not?

Answer: We are requesting no funding increase for Migrant Education in our revised 1989 budget request. Although P.L. 100-297 changes the age range of the children counted for allocation purposes, this change effects only the distribution of funds to the States and not the delivery of services. Children ages 3 through 21 were eligible for program services under the old law. As a result, the Department believes that additional funding is not justified.

The Department, however, believes that Migrant Education funds need to be targeted more effectively on those States that have the greatest proportion of children who are currently migratory or just beginning to settle into an area. The Department has proposed appropriations language in its 1989 revised request that would modify the formula so that currently migrant students and students in their first year of formerly migrant status would generate the most funds. The child counts for other formerly migrant students would be weighted so that these children generate less funding for each year that they have settled into a school district. This proposal assumes that children who continue to migrate have greater educational needs because of their migrancy and that States with a larger proportionate share of the currently migratory population should receive more funds. Program data used in allocating 1987 funds show that 62 percent of the children counted had not moved in the previous year. The proposal would not affect how a State decides which migrant children to serve or what services to offer. No migratory children who are currently counted for allocation purposes would be eliminated from the formula because of this proposal.

Question: Do you agree with preliminary estimates that this change in the law would increase students counted for funding under this program by 46,000 or approximately 11 percent? (Source: The National Association of State Directors of Migrant Programs and the Interstate Migrant Education Council.) How much more do you estimate would be needed to serve the additional migrant children based upon the new law?

Answer: Yes, based on data used for allocating 1987-88 Migrant Education funds, expanding the age range would result in an increase of roughly 46,000 full-time equivalent migrant students counted for allocation purposes. No additional funds are needed, however, because migrant children aged 3 through 21 are already eligible for Chapter 1 migrant education services.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

IMPACT AID

INFLATION INCREASE FOR "a" PAYMENTS

Question: The Administration is again asking us to terminate funding for "b" payments under Impact Aid but is asking for 2 percent growth in funding for "a" payments. This would seem to indicate that the Administration recognizes that the cost of educating "a" children does, in fact, rise with inflation. Since your budget achieves such a large savings by eliminating "b" payments, why aren't you requesting a more realistic inflation increase for the "a" payments?

Answer: The Department is not requesting a higher appropriation for payments for "a" children because of the need to control the Federal deficit. The 2 percent increase in "a" payments reflects the 2 percent guidelines agreed to last fall by the Congress and the Administration for entitlement and discretionary domestic spending.

Question: In the last few years, even while the appropriation has increased for "a" payments, many of the school districts have not seen an inflation increase because the more heavily impacted school districts have absorbed all the new funds. Since no one has contested the legitimacy of "a" payments, shouldn't we be trying to give all eligible districts more realistic adjustments for inflation?

Answer: It is not true that the "Super a" or more heavily impacted districts have absorbed all of the appropriation increases over the last few years. For 1985 and 1987, non-"Super a" districts received significantly greater increases in funding than "Super a" districts. Both types of districts had to absorb decreases in 1986 because of the Gramm-Rudman sequester. For 1988, with an increase in the "a" appropriation of .6 percent, "Super a" districts are expected to receive a slight increase while non-"Super a" districts will experience a small decrease.

LEVEL OF PRELIMINARY PAYMENTS

Question: The Administration is requesting a change in the allowable level of preliminary payments under Section 2 and Section 3. Is your proposal to eliminate payments under Section 3(b) the primary reason that you are anticipating the possibility of overpayments or do you anticipate that other program changes will result in significant payment fluctuations in fiscal year 1989?

Answer: The proposal to eliminate payments under Section 3(b) accounts in part for our request to change the basis for preliminary payments to avoid the possibility of overpayments. Overpayments could also result from changes in payment based on routine shifts in enrollment in "a" or "b" districts. If, for example, a district received 75 percent of its prior year's payment as a preliminary payment but the final data for the district indicate a decline in the proportion of "a" children in the district from 21 percent in the previous year to 14 percent in the current year, the result would be an overpayment. The Hawkins-Stafford Amendments incorporates some of the changes we proposed. As a result, there will be fewer overpayments resulting from variations in the funding level or the payment formulas from year to year, or from a change in a district's status from "Super a" to regular "a."

REDUCTION IN ALLOWABLE PRELIMINARY PAYMENT

Question: Wouldn't a reduction in the allowable amount of prepayment have a significant effect on the availability of funds to some heavily impacted school districts?

Answer: Heavily-impacted, or "Super a" districts would still receive 75 percent of their prior fiscal year payments.

NUMBER AND AMOUNT OF PENDING CONSTRUCTION REQUESTS

Question: Please provide the number of school districts and the aggregate level of funding requests currently on the waiting lists for construction funds authorized under Sections 5, 9, 10, and 14(a), (b), and (c) of P.L. 81-815.

Answer: For Section 5 and 14(c), there are 105 applications requesting $62,217,000 on the priority list. For Sections 14(a) and (b), there are 76 applications requesting $153,837,000. There are no Section 9 applications. Section 10 funds are being used only for emergency repairs necessary for life and safety. There is no priority list because available funds have been able to meet the requests for repairs. We are not providing Section 10 funds for construction of new facilities at this time.

PAYMENTS FOR FEDERAL PROPERTY -- SECTION 2

Question: As a result of passage of the Stafford-Hawkins Amendments, what do you expect to be the appropriation requirements for fiscal year 1988 and fiscal year 1989 to fully fund 100 percent of entitlement for Section 2 payments?

Answer: We expect that approximately $15 million will be sufficient to fund Section 2 payments at 100 percent of entitlement in 1988 and 1989.

COTERMINOUS DISTRICTS PAYMENT CALCULATION

Question: The Continuing Resolution for fiscal year 1988 contained a provision to adjust the payment calculation for certain coterminous school districts. How many districts did this provision affect and how did their payments change?

Answer: The provision affected only one district -- Fort Leavenworth, Kansas. The district's payment increased by $1.65 million -- from $3.07 million to $4.72 million.

SECTION 3(d)(2)(B) -- 100 PERCENT ENTITLEMENT PAYMENT REQUIREMENT

Question: What changes does the Department expect for fiscal year 1989 in the appropriations requirement to provide 100 percent of entitlement for payments authorized under Section 3(d)(2)(B) (please assume continuation of Section 3(b) payments)?

Answer: Our estimate of the funds required to pay 100 percent of entitlements under Section 3(d)(2)(B) for fiscal year 1989 is $18-20 million, of which approximately one third would be attributable to "a" students. This is based on our estimate of what would have been required for 1986 if the new provisions of the Hawkins-Stafford Amendments of 1988 had been in effect for that year. The following is a description of the method used to arrive at this estimate.

Four districts were eligible for additional funds under Section 3(d)(2)(B) for fiscal year 1986, the most recent year for which final determinations of eligibility for Section 3(d)(2)(B) funds have been made. Their 3(d)(2)(B) payments totaled $17.55 million, $7.35 million of which was attributable to "a" students.

If the new 3(d)(2)(B) provisions of the Hawkins-Stafford Amendments had been in effect for 1986, two additional districts would have received 3(d)(2)(B) funds as a result of the modified tax effort requirement. However, actual 3(d)(2)(B) payments would have been lower for each eligible district because their regular Section 3 payments would have been higher. The higher Section 3 payments would have resulted from the Hawkins-Stafford requirement that districts eligible for 3(d)(2)(B) funds be paid 100 percent of their entitlements under Sections 3(a) and 3(b). Thus, their need for funds under Section 3(d)(2)(B) would have declined. Our estimate of 3(d)(2)(B) payments for the six districts that would have been eligible for 1986 is $18.4 million, of which $6.7 million would have been attributable to "a" students. This total exceeds the actual 1986 payments by about 5 percent.

SET-ASIDE FOR 3(d)(2)(B)

Question: Since the passage of the Stafford-Hawkins

Amendments, does the Department still find it necessary to request that the Committee stipulate an amount in bill language for payments under Section 3(d)(2)(B)?

Answer: We would still prefer to have an amount set aside for the additional payments to districts eligible for funding under Section 3(d)(2)(B). Otherwise, we must estimate the maximum amount that may be required for these payments and reserve these generous sums until final financial data are available to confirm eligibility and payment amounts.

Question: Will such an earmark still serve the purpose of expediting Section 3(a) and 3(b) payments to eligible school districts?

Answer: A set-aside for payments under Section 3(d)(2)(B) would allow the Department to expedite Sections 3(a) and (b) payments to eligible school districts.

SCHOOL IMPROVEMENT PROGRAMS

EFFECTIVE DRUG ABUSE PREVENTION IN THE SCHOOLS

Question: The National School Boards Association has released a report on alcohol and drug abuse prevention that reaches many of the same conclusions as the Education Department's mandated study on our drug education programs. Specifically, they both conclude that drug education should begin in kindergarten and continue all the way through high school graduation. They also agree that the drug prevention curricula in each school district should be tailored to their individual community circumstances.

Unfortunately, the Education Department's study revealed that most schools are simply incorporating their drug prevention efforts into their regular health classes that may last only one or two semesters.

What is the Department doing to encourage school districts to expand their drug prevention efforts to all grades and develop more effective curricula?

Answer: First of all, local recipients of funds under the Drug-Free Schools and Communities Act are required to describe in their applications how they will provide drug abuse education and prevention programs for students in all grade levels. The Department enforces this requirement.

Second, the Department provides information to States and localities on what works in eliminating drugs from schools. At the centerpiece of this effort is the handbook Schools Without Drugs, of which more than 1.9 million copies have been distributed to date, including copies to all of the Nation's schools. In Schools Without Drugs, the Department recommends that schools "implement a comprehensive drug prevention curriculum from kindergarten through grade 12, teaching that drug use is wrong and harmful and supporting and strengthening resistance to drugs." We constantly reinforce this message through our Challenge campaign, a program to encourage schools to support programs based on the principles in Schools Without Drugs to keep their schools drug free. As part of the campaign, we publish the Challenge newsletter, which highlights successful programs, reports on the latest research on effective prevention measures, and answers questions about school-based efforts. This bimonthly newsletter is mailed to every superintendent and school principal in the country.

The Department also promotes the principles in Schools Without Drugs through the Regional Centers program, the Drug-Free Schools Recognition program, and the annual Drug-Free Schools conference. To assist school districts in developing or selecting more effective curricula, this fall, we will disseminate a guide containing criteria and procedures for evaluating K-12 substance abuse curricula. Copies of the guide will be distributed at a series of meetings to be held in conjunction with the Regional Centers.

RESEARCH ON EFFECTIVE DRUG PREVENTION STRATEGIES

Question: Since the printing of your book on "What Works in Drug Abuse Prevention", has the Department continued to do research on effective drug prevention strategies?

Answer: This June, the Department will begin a two-year study of the implementation of the Drug-Free Schools and Communities Act. The primary purpose of the study is to assess the impact of the legislation by determining how programs funded under the Act are being planned, administered, implemented, and evaluated. In addition, the Department has commissioned a series of papers by leading scholars and researchers on a creative research agenda that will assist efforts to eliminate drug abuse in schools. The Department's Drug-Free Schools Recognition Program, while not a research project, has nonetheless identified 30 programs of drug abuse education and prevention that are exemplary.

Question: How are you getting your findings out to the school districts?

Answer: The Department disseminates research findings on effective drug prevention through its newsletter, "The Challenge," as well as through reports, press releases, conferences, a network of regional centers, and other similar means. The Department also assists the activities of the National Clearinghouse for Alcohol and Drug Information, which is the primary Federal source of information on alcohol and drug abuse.

DRUG-FREE SCHOOLS -- FEDERAL ACTIVITIES

Question: Ms. Dorsett, both Secretary Bowen and Secretary Bennett have pointed to the recent survey of high school seniors as a positive sign in our war on drugs. Perhaps we are patting ourselves on the back too early. While the survey shows some encouraging changes in attitudes and drug use among our high school seniors, the survey completely misses the 20 to 25 percent of this age group that drops out of school. We know that the dropout population is much more likely to be using drugs and, in fact, some hospital data from our inner cities indicate an exploding problem among our school-age children.

Your budget materials state that you set aside $2 million of your Federal activities funds for schools with immediate and pressing needs to curb student drug use. How will you select these schools, and what criteria will you have for the use of these funds?

Answer: Awards will be made following a case-by-case review of individual applications by panels of three experts. The reviewers will use the selection criteria for unsolicited awards established in the regulations for the Federal Activities Grants Program, which were published in the Federal Register on July 30, 1987. Applicants are encouraged to propose projects that provide technical assistance, including consultants, to schools facing a serious and immediate threat from illegal drug use. Examples of activities that applicants are encouraged to propose include projects that:

- Prevent drug use by providing technical assistance to help improve security in the schools or on school premises;
- Provide technical assistance to schools to secure areas around schools and to see that the sale and use of drugs are stopped;
- Help schools obtain information and adopt practices from other school districts with sound policies for preventing serious drug-related incidents; or
- Implement collaborative arrangements with local educators, parents, students, and communities to remove drugs from their schools and the lives of their students, including the imposition of strong penalties for the sale or use of drugs.

DROPOUT PREVENTION

Question: You are requesting a freeze for the Dropout prevention demonstration program to provide the second year of funding for grants begun in 1988. However, the local contribution requirement for these projects increases from 10 to 25 percent in the second year. Will this situation result in a surplus of funds in the second year or are all grantees expected to grow sufficiently to absorb all the second-year funds?

Answer: Our revised budget request takes the increased local contribution requirement into consideration and, therefore, proposes less for this program in 1989 than it received in 1988. With the $21,000,000 that we are requesting, we will be able to continue all the 1988 projects for their second and final year. The requested amount also includes $1,500,000 to support the national evaluation of the program mandated by the authorizing statute.

Question: If there will be funds available beyond those required for second-year continuations in 1989, will these be used to start new projects?

Answer: The requested amount includes just enough for the second-year continuations and the required evaluation. If the Committee provides the amount requested there will be no additional funds for new projects.

Question: If the Committee provides additional funds above your request for new projects in 1989, will the authorizing statute allow funding for second year contributions in 1990? Is the Administration of the opinion that the automatic GEPA extension applies to the dropout demonstration grant authority in the Hawkins-Stafford Amendments?

Answer: The statute authorizes funds for 1989 only. The automatic one-year GEPA extension would apply unless Congress takes certain actions to prevent it and, therefore, funds would be authorized for 1990. However, it seems clear that Congress intended for the Department to fund promising local projects on a two-year demonstration basis in 1988 and 1989 and then to evaluate those projects to find out what works best in preventing students from dropping out of school. States and localities should then have better information with which to design their own dropout prevention efforts through regular State programs or through such State-administered Federal programs as Chapters 1 and 2.

QUESTIONS SUBMITTED BY SENATOR LOWELL P. WEICKER, JR.

SECRETARY'S DISCRETIONARY ACTIVITIES

Question: The recently enacted H.R. 5 reauthorization bill made a number of changes in the various discretionary accounts available to the Secretary. Among those which I applauded was the elimination of the Chapter 2 Secretary's Discretionary Fund and a 50 percent reduction in the amount available for discretionary activities under the Math/Science program.

But the legislation also created a new authority known as the Fund for Innovation in Education.

What are your plans for the Fund for Innovation in Education for FY 1989? What activities would be supported?

Answer: In 1989, we propose to continue initiatives and activities under the Fund for Innovation in Education that were begun in 1988 under the Chapter 2 Secretary's Discretionary Fund. These include about $3,000,000 to provide additional support for early intervention studies and projects begun in 1988 at the request of Congress. The Presidential Scholars program, which annually selects 141 graduating high school seniors as Presidential Scholars, would also be supported.

Question: Am I correct that you are requesting $4.6 million for this fund -- which is about the same amount available to the Secretary in FY 1988 under the Chapter 2 discretionary account?

Answer: Yes, you are correct. We are requesting $4,570,000 for 1989, which is slightly less than the $4,691,000 appropriated in 1988.

Question: Is it also true that you are asking that an additional $4.5 million be transferred to the Fund for Innovation in Education in FY 1989 from unobligated balances under the Excellence in Education program?

Answer: Yes, we are requesting that all of the unobligated balances under the former Excellence in Education program be transferred to the Fund for Innovation for 1989. These funds were appropriated in 1985 and 1986, and remain available until expended. The Excellence in Education program is not authorized by the Hawkins-Stafford Amendments.

COORDINATION OF ANTI-DRUG EFFORTS AMONG FEDERAL AGENCIES

Question: What is the Department of Education doing to coordinate its anti-drug efforts with other agencies involved in anti-drug abuse efforts, i.e., HHS, DEA, Customs Service, local law enforcement agencies, etc.?

Answer: The Department coordinates its alcohol and drug abuse education programs with numerous Federal agencies, primarily through participation in the National Drug Policy Board. Department employees serve as vice-chairman of the prevention and health coordinating group, and as chairman of the Prevention and Education committee under that group. The Prevention and Education Committee has thirteen member agencies. Examples of specific activities coordinated with other agencies include:

Health and Human Services (HHS)

- The Department has transferred $500,000 to HHS to help support the Alcohol and Drug-Abuse Information Clearinghouse. The Department has also provided materials and mailing lists to the Clearinghouse, and is represented on the Clearinghouse Steering Board.
- The Department, with assistance from HHS, developed and transmitted the Report to Congress on the Nature and Effectiveness of Federal, State, and Local Drug Prevention/Education Programs.
- The Department, Drug Enforcement Administration, and the Food and Drug Administration developed an information campaign focusing on the dangers of steriods. The campaign was aimed at schools nation-wide, particularly coaches and athletic directors. Copies of the materials developed were made available to the Drug Enforcement Administration for their use.
- ED helped fund the HHS-sponsored National Collegiate Drug Awareness Week Kick-Off Conference. Secretary Bennett spoke at the conference. A few weeks earlier, Secretary Bowen and Secretary Bennett spoke at an ED-sponsored meeting of college presidents working to establish standards for drug-free campuses.
- ED has used HHS personnel and HHS-recommended panelists as reviewers of applications submitted under drug-abuse education and prevention grant competitions.

Customs Service

- o ED has made more than 200,000 copies of Schools Without Drugs available to the US Customs Service for use in their community outreach programs.

United States Information Agency (USIA)

- o ED has made materials available to USIA for translation and distribution, and USIA has made accurate translations available to ED. ED personnel have also made presentations to a variety of international audiences at USIA's request.

Department of Transportation (DOT)

- o ED has supported the efforts of the National Highway Transportation Safety Administration to enforce user responsibility by publishing articles in ED's Challenge Campaign Newsletter on States which deny driver's licenses to alcohol and drug offenders and other transportation issues.

ANTI-DRUG EFFORTS OTHER THAN PUBLICATIONS

Question: Are you doing more than making available various publications you have produced?

Answer: The Department's efforts with other Federal agencies frequently extend beyond making publications available. Other activities, such as a two-year implementation study of the Drug-Free Schools and Communities Act, are being undertaken with HHS, which is contributing both expertise and funding to the study. Under the Training and Demonstration Grants to Institutions of Higher Education program the Department is supporting training for law enforcement officials, judicial officials, community leaders, parents, and government officials in drug abuse education and prevention. In 1988 more than $8,000,000 was awarded to 42 institutions of higher education to carry out this priority. Under the Federal Activities Grant program, one of two priorities in 1988 was for projects that implement cooperative programs with local law enforcement officials, judicial officials, community leaders and government officials. Some 290 applications have been received.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

BILINGUAL, IMMIGRANT, AND REFUGEE EDUCATION

Question: Ms. Coro, some critics have argued that Hispanic students are too readily funnelled into bilingual education programs and that there is not sufficient effort to move them into all-English classrooms soon enough. What are your opinions on this?

Answer: The statutory definition of "limited English proficiency" provides general guidance as to participant selection. The specific selection criteria used to refer Hispanic and other limited English proficient students into bilingual programs are properly determined by local school authorities, not by the U.S. Department of Education. Local authorities employ a variety of selection criteria. State and local districts report their limited English proficient populations to the Department's Office for Civil Rights, which monitors compliance with civil rights laws. I have seen no evidence that leads me to believe that significant numbers of students are being misclassified into these programs.

On the question of students leaving bilingual programs, Congress has addressed this issue in its 1988 reauthorization of the Bilingual Education Act. The provision states that "no student may be enrolled in a bilingual program for which a grant is made...for a period of more than 3 years, except where the school in which the student is enrolled--(i) conducts a comprehensive evaluation of the overall academic progress of the student...." If justified by the evaluations, a student may participate for up to two additional years. This measure, as well as similar ones in some State and bilingual statutes, ensures that students are moved into all-English classes when they reach appropriate levels of English proficiency.

Question: Critics have also argued that the curriculum in bilingual education classes is not sufficiently challenging and the result is that our immigrant youngsters do not perform up to their abilities. What are your views on this? Do you think this dynamic contributes to the extraordinarily high dropout rate for our Hispanic children?

Answer: I am not aware of any data indicating that curriculum in bilingual education classes ~~is~~ insufficiently challenging. Moreover, the Federal Government does not normally become involved in curriculum content decisions. However, some research findings indicate that challenging instructional materials and high expectations have a positive effect on at-risk students in general.

RECENT IMMIGRANTS

Question: Ms. Coro, the former Commissioner of Education, Harold Howe, along with the National Coalition of Advocates for Students, have released a report that says that our school districts are struggling with the flood of recent immigrants. The report states that there are between 3.5 and 5.5 million immigrant students that are currently in need of language instruction, and the language barrier is the largest immediate problem facing these students.

You are requesting an increase for bilingual education, but even with the increase, we will not reach more than 250,000 students. While I don't believe the Federal Government has all the responsibility for providing bilingual education, do you think we are keeping up with the needs based on this report?

Answer: The Bilingual Education Act authorizes a capacity building program rather than a general service delivery program. The program provides seed money to local districts to enable them to build their capacity to meet the instructional needs of their limited English proficient students rather than providing long-term program support. As one set of districts builds capacity, the funds are shifted to other districts in need. In this way, over time, many more than 250,000 students are being served either directly with Federal funds or through the programs that these funds have helped to create.

Furthermore, we believe that the report's estimates are exaggerated. Based on a June 1986 Census Bureau survey, we would put the number of school-age immigrant children at about 1.2 million. Many of these children have spent a large portion of their life in the U.S. and are now proficient in English. Based on direct testing of school-age children born outside the U.S., which the Bureau of the Census carried out in 1982, we estimate that less than 700,000 of the 1.2 million still need special help in English. In addition to these students, the Department estimates that there are up to another 1 million native born students who are limited English proficient.

In addition to the projects supported under the Bilingual Education Act, in 1987 the Department served 428,688 recent immigrants under the Emergency Immigrant Education Act and 80,215 recently arrived refugee students under the Refugee Act. The Chapter 1 program also served an estimated 543,000 limited English proficient students, many of whom are recent immigrants.

Question: Your budget materials indicate that 94 percent of the children in need are being served by bilingual education. How would you account for the huge disparity between your estimates and this new report?

Answer: The "Descriptive Phase Report" from the Department's National Longitudinal Evaluation of the Effectiveness of Services for Language Minority, Limited English Proficient Students, analyzed data from a nationally representative sample of school districts. The study found that 94 percent of students identified by school districts as limited English proficient were provided with some kind of special instructional program. The report cautioned, however, that school districts may tend to underestimate the number of limited English proficient students present in the district.

VOCATIONAL AND ADULT EDUCATION

ACCOUNTABILITY IN VOCATIONAL EDUCATION

Question: Ms. Guiton, now that the Administration is requesting funding for vocational education, you are also proposing new requirements that attach the availability of funds to performance in both enhancing basic skills and job placement.

There has been a long debate in the States over this. One opinion says that because the average worker will now change jobs four times in his or her career, vocational education should be focused on providing basic work skills. The other opinion is that we should be doing more to train kids for a specific job so they can be employed right out of school. Currently our Federal funds go toward improving both kinds of programs.

How will your new accountability proposals for the State basic grants address the different policies in the States?

Answer: Our proposal would require States to develop performance standards for determining basic skills achievement and success in the labor market in evaluating all programs supported with Perkins Act funds.

Requiring States to develop measures of basic skills achievement will encourage them to focus more attention on preparing young people for a working life of continued learning, problem solving, and communication. This policy will focus attention on the need to provide all students with a well-rounded education in order to build the capacity of vocational students for a good career. Requiring the development of standards related to success in the labor market would be appropriate for programs designed to prepare vocational students to enter the workforce immediately after graduation. Federal vocational education legislation should support efforts underway in the States to ensure that all programs achieve acceptable placement rates.

The States will continue to exercise considerable flexibility in developing and applying these performance measures to fit the particular needs of their vocational education programs. Our proposal will not interfere with the vocational education policies of any State, and will actually reinforce the efforts some States have already made to encourage specific outcomes from vocational education.

Question: Where do you come out in this debate over job training versus developing basic skills? Should our high school programs do one while our postsecondary programs do the other?

Answer: We do not advocate any specific division of responsibility for providing basic skills and job training between secondary and postsecondary vocational programs. The States should continue to have the flexibility to provide vocational opportunities to students that best fit the States' needs. All students, whether at the secondary or postsecondary level, should become proficient in the basic skills.

Many States have been successful in promoting greater cooperation between secondary and postsecondary vocational programs through occupationally specific "2+2" programs. These programs provide a coordinated curriculum including two years of technical course work in high school after which the student continues on for two years of course work at a postsecondary institution. After completing such a program, the student should have acquired substantial mastery of a technical occupation. This type of program has been very successful in coordinating the responsibilities of secondary and postsecondary institutions for providing both basic skills and occupational training.

Question: Will the Administration be sending up a complete reauthorization proposal for the Vocational Education Act before the end of the term?

Answer: The Administration plans to submit a reauthorization proposal for the Perkins Act in conjunction with the fiscal year 1990 budget request.

IRREGULARITIES IN COMPETITION FOR VOCATIONAL RESEARCH CENTER

Question: Ms. Guiton, this past January, the General Accounting Office found irregularities in your competition for the National Center for Research in Vocational Education. In March, a District Court judge ordered you to conduct a new competition. Since that time, the Congress has taken action to divide the funds made available for fiscal year 1987 between the two highest ranking applicants as an interim measure.

I understand that you are appealing the District Court decision on this matter. When do you expect this matter to be finally resolved in the courts?

Answer: Our appeal is scheduled to be heard in June, and we expect that the judge will reach a decision shortly thereafter.

Question: If you fail in your appeal, how long will it take you to run a new competition for these funds? I understand the last competition took about a year to complete.

Answer: We are currently preparing an application notice for a new competition. If our appeal is denied, we would try to make a new award by March 1989.

Question: Given the delay in the development of a new national center and the prospect of another lengthy competition, will the entire $6 million the Committee provided for the center in 1988 be used?

Answer: Although the final outcome of our appeal is uncertain, we anticipate that all of the funds provided for the National Center in 1988 would be needed whatever the eventual outcome. Congress has included language in P.L. 100-297 directing that, of the $6,000,000 available in 1987 for the National Center, awards of $2,000,000 each be granted to Ohio State University and the University of California at Berkeley. The remaining $2,000,000 is being held pending the outcome of our appeal. If our appeal is successful, those funds would revert to Berkeley, the recipient of the 1988 award, to complete activities planned for the first year of the grant. The funds available from the fiscal year 1988 appropriation would be awarded to Berkeley in January 1989, for the second year's activities. If our appeal is unsuccessful, the $2,000,000 remaining available from the fiscal year 1987 appropriation would lapse on September 30, 1988. The $5,744,000 available for the National Center under the 1988 appropriation would be awarded to the winner of a new grant competition, probably in March 1989. These funds would be used for the first year of activities under a new five-year grant. In either case, we believe that the full $5,744,000 available in fiscal year 1988 would be needed to fund the activities of the Center in 1989.

CONTRADICTORY POLICY FOR VOCATIONAL EDUCATION

Question: Ms. Guiton, your budget for vocational education requests that we terminate funding for Consumer and Homemaking Education and Community-Based Organizations and shift these funds to the basic State grant program in order to provide the States with greater flexibility. At the same time, you are proposing legislation to require the States to develop stricter standards, as well as sanctions against local programs that don't meet those new standards.

Does it make sense to ask for more flexibility for the States and simultaneously propose stricter Federal requirements on the State's funding practices?

Answer: We see no conflict between the two goals of increased accountability and flexibility, and we believe they are actually complementary. Our accountability proposal would require States to ensure that specific performance standards, of the States' own choosing within certain guidelines, are achieved with the use of Federal vocational funds. Our budget proposal would allow the States greater flexibility in determining how to use available Federal funds to accomplish their vocational education objectives, including achieving State performance standards.

DELAY IN OBLIGATION OF HOMELESS FUNDS

Question: I understand that none of the funds provided for literacy training of homeless adults in the 1987 supplemental appropriation and 1988 appropriation have been obligated. What is the cause for the delay in obligating these funds?

Answer: Since the enactment of the Stewart B. McKinney Homeless Assistance Act, the Department has made a major effort to make awards at the earliest possible date. However, language included in the Act made implementation of the Literacy Training for the Homeless program difficult. Section 702 of the Stewart B. McKinney Homeless Assistance Act, which authorizes grants to States to provide literacy training for homeless adults, specifies that available funds are to be distributed, in part, "on the basis of the assessments of the homeless population in the States" provided in each State's Comprehensive Homeless Assistance Plan (CHAP) submitted to the Secretary of the Department of Housing and Urban Development under Section 401 of the Act. Our review of these CHAPs revealed that States have experienced considerable difficulty in obtaining accurate counts of homeless individuals. We determined by late 1987 that it would not be possible to allocate funds to the States on a consistent, principled and defensible basis using the assessments contained in the CHAPs. In order to implement the program, the Department devised a special funding procedure to allot fiscal year 1987 funds according to a formula that provides a reasonable proxy for the potential population of homeless persons who need literacy training.

On February 11, 1988, the Secretary published in the Federal Register a notice inviting public comment on this proposed funding procedure. On May 7, 1988, a final notice was published in the Federal Register. This notice takes effect either 45 days after publication or later if Congress takes certain adjournments. We anticipate making awards beginning July 5.

The Hawkins-Stafford Amendments contained in P.L. 100-297 made changes to the McKinney Act that will become effective on July 1, 1988. If this effective date is not delayed, the Department will administer the literacy training programs as a discretionary grant program in 1988. Regulations to implement this program are currently being prepared, but awards from the fiscal year 1988 appropriation would not be made until January 1989. If the effective date for the new amendments is delayed, we anticipate awarding the 1988 funds in August 1988.

QUESTIONS SUBMITTED BY SENATOR LOWELL P. WEICKER, JR.

NATIONAL CENTERS FOR RESEARCH IN VOCATIONAL EDUCATION

Question: Last year the Department competed the $30 million multi-year award for a National Center for Research in Vocational Education--which has been held by Ohio State University for 10 years. The Department made the new award to University of California at Berkeley but a Federal Court subsequently ruled that the Department has mishandled the competition by ignoring the intent of Congress. The Department was then ordered to recompete the Center. Where is the Department on the recompetition of the Center?

Answer: We are currently preparing an application notice for a new competition. The last competition for the National Center took approximately one year to complete. Given this experience, we will try to make a new award for the National Center in March 1989. However, we have appealed the Court's ruling on the award to the University of California at Berkeley. If we prevail in our appeal, the 1989 award would be made as a continuation grant to Berkeley in January 1989.

Question: What is the status of the $6 million appropriated for the Center in fiscal year 1988? (We understand that H.R. 5 directed that some of the funding go to both Berkeley and Ohio State this year.)

Answer: The $6,000,000 appropriated for the National Center for fiscal year 1988 will become available on July 1, 1988, and will be used to make an award early in 1989. The two grants of $2,000,000 authorized by P.L. 100-297 for Ohio State University and the University of California at Berkeley are to be made from the funds appropriated for 1987 for the National Center.

ADULT EDUCATION IMMIGRATION ACT PROVISIONS

Question: Yesterday, with Secretary Bennett we attempted to get a handle on the adequacy of funding of adult education/basic literacy programs. We discussed the fact that while you are proposing an overall increase in the State grant program, there are proposed decreases in other programs such as work place literacy, homeless literacy, etc.

It is currently estimated that some 27 million adult Americans are functionally illiterate while only about 3 million persons were served by adult education programs in 1986. I understand that the new Immigration Bill contains English language instruction requirements. Can you tell us about that provision and what additional demands there are for adult education instruction as a result?

Answer: The Immigration Reform and Control Act of 1986 allows a legal alien to gain permanent resident status if, among other requirements, the alien can demonstrate that he either has a minimal understanding of ordinary English and a knowledge and understanding of the history and government of the United States or is satisfactorily pursuing a course of study to achieve such knowledge and understanding. The Act also made appropriations of $100,000,000 per year for 1988 through 1991 for HHS to make payments to State education agencies to assist local education agencies in providing educational services for eligible legalized aliens. Because of this substantial support through HHS, we do not expect a significant additional demand from legal aliens for adult education services provided under the Adult Education program.

SUBCOMMITTEE RECESS

Senator CHILES. The subcommittee will stand in recess until 9:30 a.m. tomorrow when we'll be back in this room and conclude our hearings on the Department of Education.

[Whereupon, at 10:34 a.m., Wednesday, May 11, the subcommittee was recessed, to reconvene at 9:30 a.m., Thursday, May 12.]

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1989

THURSDAY, MAY 12, 1988

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 9:35 a.m., in room SD–192, Dirksen Senate Office Building, Hon. Lawton Chiles (chairman) presiding.

Present: Senators Chiles, Bumpers, and Weicker.

DEPARTMENT OF EDUCATION

SPECIAL EDUCATION AND REHABILITATIVE SERVICES

POSTSECONDARY EDUCATION

EDUCATIONAL RESEARCH AND IMPROVEMENT

STATEMENT OF BRUCE M. CARNES, DEPUTY UNDER SECRETARY FOR PLANNING, BUDGET AND EVALUATION

ACCOMPANIED BY:

- **MADELEINE C. WILL, ASSISTANT SECRETARY FOR SPECIAL EDUCATION AND REHABILITATIVE SERVICES**
- **KENNETH D. WHITEHEAD, ACTING ASSISTANT SECRETARY FOR POSTSECONDARY EDUCATION**
- **CHESTER E. FINN, ASSISTANT SECRETARY FOR EDUCATIONAL RESEARCH AND IMPROVEMENT**

OPENING REMARKS

Senator CHILES. This morning we conclude our hearings with the administration witnesses on the Department of Education's fiscal year 1989 budget request. We will be discussing the Department's student financial aid and other postsecondary programs, special education activities, as well as the programs within the Office of Educational Research and Improvement. We'll also hear from the special institutions, Howard University, Gallaudet, the National Technical Institute for the Deaf, and the American Printing House for the Blind.

On Tuesday, we discussed a number of these issues with Secretary Bennett. Today we want to discuss in more detail the administration's proposals to reduce student loan default rates, to expand the income contingent loan pilot project and to change the financial need calculation for the Pell Grant Program. We also want to know more about your proposed TRIO policies and your decisions not to request any funding for higher education facilities.

We will be interested in the sizable increases in the research and statistics budget and the large cut in the libraries' funding as well.

The subcommittee has had a long commitment to the Department's Special Education and Rehabilitative Services Program. We are pleased that you've begun to see the light and propose modest increases for these programs rather than a reduction in the Federal effort. There are areas such as the preschool program and the proposed freeze of handicapped education, special purpose funds that continue to concern us, and will be discussed today.

Mr. Carnes, you can begin, and if you would summarize your testimony, we will put your full statement in the record.

INTRODUCTION OF ASSOCIATES

Mr. CARNES. Thank you, Mr. Chairman. Let me introduce my colleagues: Chester Finn on my far left, Madeleine Will immediately next to me, and Ken Whitehead, Acting Assistant Secretary for Postsecondary Education.

Mr. Chairman, I'll ask that my statement be included in the record, and my colleagues have statements that they ask be included as well.

Mr. Chairman, no doubt this will be the last appearance for those of us at this table before you and this committee. I would like to say that we've been honored by our opportunity to serve the administration and to work with this committee.

EFFECT OF POSSIBLE FISCAL YEAR 1988 SALARIES AND EXPENSES RESCISSION

Yesterday I began by mentioning some concerns we had about effective dates for programs authorized under the recently passed and signed Hawkins-Stafford amendments. Today I would just draw your attention to one other issue which I learned of yesterday, and that is in the markup on the supplemental for 1988. A rescission of $1 million has been included for salaries and expenses funds for the Department. Now, we discussed on Tuesday the level of monitoring that we are doing in our postsecondary education programs. Concerns were raised about staffing. We testified then that with the reduction in salaries and expenses funds that we had pursuant to the appropriation and a reduction in travel funds totaling about $18 million, we were stretched pretty thin.

I might observe that an additional $1 million reduction in salaries and expenses funds coming this late in the fiscal year is going to have a serious effect on this Department's ability to carry out its mission, particularly since that salaries and expenses budget was pegged for a much smaller Department to start with. I have no doubt that this rescission will further erode our abilities to do monitoring in postsecondary education and investigations and audits in our Inspector General Office. We are now sitting down and trying to take a look at what additional things we're going to cut, but it's very serious for us. I just wanted to draw your attention to that.

PREPARED STATEMENTS

With that, Mr. Chairman, my colleagues and I would be happy to respond to your questions.

[The statements follow:]

STATEMENT OF BRUCE M. CARNES

I am pleased to appear before you to discuss the 1989 budget proposals for Department of Education programs in the areas of special education and rehabilitation, postsecondary education, and education research and improvement.

The total amount requested for these programs is almost $13.3 billion. Of this amount, over $3.6 billion would support programs for the handicapped and disabled; almost $9.5 billion would support postsecondary programs, including $8.8 billion for student aid; and $0.2 billion would be spent on research and statistical activities designed to improve the quality of education in the United States, and on aid for libraries.

Special Education and Rehabilitative Services

For 1989, our budget proposes over $3.6 billion programs that will serve almost 4.6 million handicapped children and about 920,000 disabled adults. This is an increase of $77 million, which will help cover increased costs in all State grant programs and provide services to additional handicapped children.

The 1989 request of $1.9 billion for programs under the Education of the Handicapped Act includes almost $1.75 billion for grants to assist States in carrying out their statutory educational responsibilities to all handicapped children, and in developing statewide programs of early intervention services for handicapped infants and toddlers and their families. This request would provide in school year 1989-90 approximately $348 per child through the State Grants program--an increase of 2 percent per child over the 1988 level--and would provide an additional $500 per child served in the age range 3 through 5 under the Preschool Grants program. In addition, we would provide $3,800 per child--the maximum authorized--for the one-time bonus payments to States for estimated increases in the number of preschool children that will be served in the next school year. For Special Purpose Funds we are seeking $169 million to support a wide variety of activities to improve education services to the handicapped. Each of the Special Purpose activities will be maintained at the 1988 level.

For vocational rehabilitation services and research, our request of $1.6 billion is an increase of $26 million over the 1988 level, providing 2 percent increases for all the State Grant programs to help offset increased costs, and for Comprehensive Services for Independent Living, to emphasize the importance of statewide coordination of services. All other programs are maintained at the 1988 level, except Recreational Programs, for which we are requesting no funding. Recreational activities are more appropriately funded by localities and private organizations.

For the three Special Institutions for the Handicapped--the American Printing House for the Blind, the National Technical Institute for the Deaf, and Gallaudet University--we are seeking a total of $101.9 million, providing increased 1989 appropriations for each of these institutions over their 1988 levels. A 2 percent increase to partially offset the higher cost of operations is requested for each of the institutions. For the Printing House, this includes $10,000 to offset our proposed termination of an anachronistic and expensive-to-administer permanent appropriation of this amount. For NTID and Gallaudet University, we are requesting $1 million for endowment grants to each institution, to make available matching amounts for privately raised funds. We believe it is important to help promote these institutions' financial independence by encouraging private support, thus adding to their capacity to serve disabled persons.

Postsecondary Education Programs

Our fiscal year 1989 budget gives high priority to the major programs of financial aid to disadvantaged postsecondary students and to developmental assistance for historically Black colleges and universities that serve such students. The budget also includes a number of initiatives to help ensure educational quality, and to promote both individual and institutional accountability so as to ensure the proper expenditure of Federal funds.

For student aid programs, we are requesting $8.8 billion. We estimate that under this request, the total amount of aid available to students will increase by about $900 million to $16.5 billion, and will assist almost 6 million students, about half of the total college student population. Increased funding, however, should be accompanied by measures to protect the significant Federal investment in student aid programs. We are asking Congress to eliminate the "ability to benefit" loophole, which encourages the exploitation of poorly prepared students by allowing them to receive Federal grants and loans, even lacking a high school diploma. Students admitted under this provision drop out and default at extremely high rates. In addition, we would simplify student aid need analysis by excluding non-liquid family assets in the determination of financial need. This would help to reduce award errors and end the current system's disincentive to family savings. The Adminstration's College Saving Bond proposal would further encourage family savings for education.

Our Pell Grant budget request of $5.011 billion would provide 3.4 million students with average grants of $1,470 and maximum awards of $2,300, an increase of $100 over the maximum in effect for school year 1988-89. For Supplemental Educational Opportunity Grants at $416.6 million, and Work-Study at $600 million, awards would be tied to achievement of institutional performance objectives in such areas as job placement and program completion. In Work-Study, we would begin to require increased employer contributions, producing a more equitable sharing of students' support, and eliminate for-profit enterprises from eligibility as Work-Study employers.

For Income Contingent Loans, our request of $50 million would extend the program to more colleges and universities. This program avoids the repayment burden problems associated with traditional repayment schedules, and is thus an important element in our effort to reduce defaults.

Reducing defaults is the major feature of our proposals related to the Guaranteed Student Loan program. Although GSLs continue to be an effective mechanism for financing postsecondary education--nearly 4 million students will receive over $9.5 billion in loans in fiscal year 1989--the costs to the taxpayer of defaults have increased alarmingly. Over 60 percent of our budget request of $2.736 billion will be needed to pay for defaulted loans. We are increasing our efforts to collect on defaulted loans and we are taking steps to limit participation of institutions with excessive default rates, but those measures are not enough. We need to prevent defaults from ever occurring. Last week we submitted to the Congress a number of proposals designed to do that. For example, we believe that lenders and guarantee agencies should share some of the financial risk associated with defaults. To this end, we would reduce the default payments made to lenders and the reinsurance paid by the Federal Government to guarantee agencies. This would provide some financial incentive for lenders and agencies to pursue collections and to encourage their efforts in default prevention. In addition, we propose to eliminate the prohibition on the use of the National Student Loan Data System to determine borrower eligibility. This costly system, which would maintain records of all transactions in the GSL program, could be used as an effective default prevention tool if the prohibition were lifted, and we have requested $5.6 million for it on that basis.

For other higher education programs we are emphasizing programs that enhance postsecondary education opportunities for disadvantaged individuals, programs providing support services for disadvantaged and minority students, and activities promoting quality in postsecondary education.

Our 1989 request includes $137 million for Title III of the Higher Education Act, which authorizes support for institutional development. Under our request, historically Black colleges and universities (HBCUs) would receive $80.5 million, a 10 percent increase over the 1988 level, to assist in their academic and financial development. HBCUs, along with the other Title III institutions, would also be eligible for $20 million in Endowment Grant funding. For the Minority Science Improvement program we are seeking $5.4 million for fiscal year 1989, an increase of $105,000 or 2 percent, over the 1988 appropriation. This program helps to build the capacity of minority institutions to develop and maintain quality science education programs, and to increase the number of underrepresented minorities in the fields of science, math, and engineering. Funding for the TRIO programs will be maintained at the 1988 level--$205.8 million--as would other programs that assist disadvantaged and minority students, such as Patricia Roberts Harris Fellowships and Legal Training for the Disadvantaged. In addition, $176.1 million is requested for Howard University, which includes a reappropriation to extend the availability of $500,000 in endowment funds. This budget would provide the University with an increase of 2 percent for the Academic Program, and an additional $3.0 million in new funding over the 1988 level in new funding for the Endowment Grant. We have concentrated additional Federal resources on the Endowment Grant to carry out the long-term strategy of reducing Howard's dependence on Federal support.

To help strengthen the quality of postsecondary education, we would increase support for the Fund for the Improvement of Postsecondary Education by $2 million to $13.6 million. This increase will be used for projects designed to help control soaring college costs.

Education Research and Improvement

Funds for Educational Research and Statistics would be used to support the continuation of many long-established programs and activities that provide information on the condition of education; successful programs and practices, trends and issues; and ways to improve educational performance through increased knowledge of education processes. Our request for $84.4 million is a $16.4 million increase over the 1988 appropriation, and includes $3.4 million to carry out new responsibilities of the Center for Statistics resulting from enactment of the Hawkins-Stafford Amendments. The request would allow us to continue to support existing activities such as the Regional Laboratories, Research and Development Centers, and the National Assessment of Educational Progress (NAEP). We also would increase data-gathering and assessment activities and support for research centers and programs. The additional $3.4 million associated with the new legislation will support an education indicators panel, and will provide awards to the States to help defray the costs of their participation in a new cooperative statistics system.

As a result of the success of the Public Library Services and Construction programs, public library services are now available to virtually every community. The existing library programs have accomplished their goals. In fact, Federal funding represents only about 4 percent of the Nation's total library spending. We believe, therefore, that it is now time to refocus Federal library program support to address current library problems of national concern. Thus, we are proposing new legislation to terminate Federal support for the existing categorical programs and to address the following identified needs: to improve the utilization of libraries, particularly by disadvantaged and handicapped persons; to increase the access of library users through expanded resource sharing; and to improve the quality of library services through research and assessment activities. Our request, which is based on the proposed legislation, is $76 million, including $45 million for services to the disadvantaged, $30 million for resource sharing, and $1 million for research and assessment.

I have discussed the highlights of the budget proposals you have before you this morning. We would like to insert for the record more detailed statements by my colleagues who administer these programs. We would be happy to answer any questions you may have.

STATEMENT OF MADELEINE C. WILL

We appreciate the opportunity to present the fiscal year 1989 budget request for Education for the Handicapped. Our request reflects the Department's continued priority on the education of handicapped children.

Our fiscal year 1989 request of $1.9 billion includes almost $1.75 billion for State Grants to assist States in educating the handicapped children for whom they are responsible under the Education of the Handicapped Act and in developing a statewide program of early intervention services for handicapped infants and toddlers and their families. It also includes $169 million for Special Purpose Funds that support a wide variety of Federal grant and contract activities directed at improving early intervention and educational services for handicapped children.

The fiscal year 1989 request increases funding for all three State Grants programs. The request maintains funding at the 1988 appropriation level for all Special Purpose Funds programs. The proposed levels will allow us to continue support for the needs addressed by these programs.

State Grants

Our fiscal year 1989 request for the State Grants program is almost $1.75 billion, an increase of about $48 million over the 1988 appropriation of $1.7 billion. An increase in funding is proposed for each State Grants program - Grants to States, Preschool Grants, and Grants for Infants and Families.

Grants to States

We are requesting $1.47 billion for the Grants to States program in fiscal year 1989 to assist States in serving approximately 4.2 million handicapped children. The request provides an increase of $42.5 million over the fiscal year 1988 appropriation to assist States in expanding services to an estimated additional 40,000 children and to help cover increases in costs. The request would provide a Federal share of $348 for each child served, an increase of $7 over the 1988 level. The request would maintain the Federal share of the excess cost of educating handicapped children at 8 percent.

Preschool Grants

We are requesting $205 million for the Preschool Grants program for fiscal year 1989, an increase of $4 million over the 1988 appropriation. Our request increases the Federal share for each 3 through 5 year old child served from $400 to $500, the maximum amount authorized by law for fiscal year 1989, for an anticipated 317,000 children. This represents an increase of 30,000 children over the number expected to be served under the 1988 appropriation. Our request further provides a one-time bonus payment of $3,800 per child, the maximum amount authorized by law, for an additional 12,000 children whom we expect States will be serving on December 1, 1989.

The Department intends to submit legislation to change the current law so that bonus payments for the additional children to be served would be made on the basis of the December 1, 1989 child count rather than on the basis of an estimated count. This statutory change would eliminate the need for adjustments in the fiscal year 1990 allocations based on the difference between the number of additional children States estimated they would be serving and the number actually served.

Grants for Infants and Families

Our fiscal year 1989 request for the Grants for Infants and Families program is $68.4 million, an increase of more than $1.3 million over the 1988 appropriation. The increase will assist States in meeting increases in costs as they continue to develop a statewide program of early intervention services for handicapped infants and toddlers and their families.

Special Purpose Funds

Our fiscal year 1989 request for Special Purpose Funds is $169 million, the same as the 1988 appropriation. For 1989, each of the Special Purpose programs will be maintained at the 1988 appropriation level.

Deaf-Blind and Other Severely Handicapped Projects

Deaf-Blind and Other Severely Handicapped Projects is a new activity formed by combining the Deaf-Blind Projects and Severely Handicapped Projects budget activities. The fiscal year 1989 request for this new activity is $19.7 million, the same as the combined appropriation for these separate activities in 1988. A legislative proposal will also be submitted that merges the Education of the Handicapped Act authorizations for these two activities.

We believe that separate budget activities are no longer in the best interest of deaf-blind children or other children with severe handicaps. Combining the two budget activities will encourage improved services for these children by providing a joint base from which their interrelated needs can be addressed. Over $14.2 million of the requested funds will provide continued support for deaf-blind centers, technical assistance, and other projects in the areas of extended school year education, supported employment, transitional skills, inservice training, systems change, and communication skills. Another $5.5 million will be used for new projects in these and other priority areas.

Early Childhood Education

For the Early Childhood Education program, $23.4 million is requested in fiscal year 1989 to maintain funding at the 1988 appropriation level. This funding level will provide support for all continuation projects and over $9.3 million for new demonstration, outreach, and special projects.

Secondary and Transitional Services

For Secondary and Transitional Services, $7.4 million is requested for fiscal year 1989, the same as the 1988 appropriation. These funds will allow us to continue our efforts to improve the ability of handicapped youth to attain the skills necessary for life after leaving special education. Funds will support research and demonstration projects, including models that encourage cooperative planning by public agencies at State and local levels, job-skills models, supported employment projects, and research on social skills. In addition, $1.5 million will be available for new projects in these and other priority areas.

Postsecondary Programs

The fiscal year 1989 request for Postsecondary Programs is $5.8 million, the same as the 1988 appropriation. Of this amount, $2.1 million will be used for new competitive awards to four institutions serving deaf students. Remaining funds will support new and continuing demonstration projects aimed at improving programs for postsecondary-aged handicapped students.

Innovation and Development

For the Innovation and Development program, we are requesting $17.2 million, the same as the 1988 appropriation. Funding priorities will include continued support for two institutes and projects dealing with the synthesis of research findings, developing and improving intervention strategies for seriously emotionally disturbed children and youth, implementing research findings, and other areas. In addition, $2.7 million will be used to support new projects.

Media and Captioning Services

The request of $13.2 million for Media and Captioning Services is the same as the 1988 appropriation. Funds will be used to support captioning activities, including educational and general interest films, television news, and general programming, as well as to provide continued support for the Theater of the Deaf and Recordings for the Blind.

Special Education Technology

Our fiscal year 1989 request includes $4.8 million for Special Education Technology, the same amount as the 1988 appropriation. These funds will provide continued support for technology centers and projects dealing with the use of technology to meet the needs of low incidence handicapped populations, innovative adaptions of hardware and software, computer assisted instruction and the effects of technology. In addition, $2.2 million will be used to support new projects in these and other areas.

Special Studies

We propose to maintain the Special Studies program at $3.6 million, the same amount as the 1988 appropriation. We will continue technical support for the annual report and third-year funding for the longitudinal study of children leaving special education, which was mandated by the Education of the Handicapped Act Amendments of 1983. New awards will include evaluation studies to be undertaken by cooperative agreements with State agencies and a follow-up study on the needs of exiting students for transition and adult services.

Special Education Personnel Development

We propose funding the Special Education Personnel Development program at $66.4 million in fiscal year 1989, the same as the 1988 appropriation level. This funding level maintains support for continuation projects for all current program priorities and provides an additional $26 million to fund over 300 grants in new priority areas or new grants in existing areas.

Recruitment and Information Clearinghouses

Recruitment and Information Clearinghouses would be continued at $1.1 million in fiscal year 1989, the same as the 1988 appropriation level. This program supports three national clearinghouses required under the Education of the Handicapped Act that disseminate information concerning special education programs, promote careers in special education, and disseminate information on postsecondary services for the handicapped.

Regional Resource Centers

Finally, in fiscal year 1989 we are proposing to maintain the Regional Resource Centers program at the 1988 appropriation level of $6.4 million. The six regional centers and national coordinating technical assistance center will continue to provide technical assistance to States for capacity building, educational programming, and special education administration.

Thank you Mr. Chairman and Members. I will be pleased to answer any questions you may have.

STATEMENT OF MADELEINE C. WILL

I appreciate this opportunity to discuss the fiscal year 1989 budget request for the Rehabilitation Services and Handicapped Research account, which includes activities of the Rehabilitation Services Administration and the National Institute on Disability and Rehabilitation Research.

The President's Budget maintains a priority on programs which provide vocational opportunities for handicapped persons. The total requested for this account is $1.6 billion, an increase of $26 million over the 1988 appropriated level. The Vocational Rehabilitation State Grants, Grants for Indians, Supported Employment, Client Assistance and Comprehensive Services for Independent Living programs would receive increases in 1989 over the 1988 appropriated level. No funding is requested for Recreational Programs. All other programs are maintained at the 1988 appropriation level.

Basic State Grants

The fiscal year 1989 budget request for Basic State Grants is $1.4 billion, an increase of $27.6 million over the fiscal year 1988 appropriation of $1.38 billion. The 1989 level would enable States to maintain their ongoing programs of rehabilitation services to disabled persons and to continue giving priority to severely disabled individuals. Approximately the same number of disabled persons are expected to be served and rehabilitated in fiscal year 1989 as in fiscal year 1988.

The Indian program will be funded from a set-aside from the Basic State Grant program. This set-aside provision for Indian programs would receive an increase of $69,000 over the fiscal year 1988 appropriated level, for a total of $3.5 million. This level would allow for the continuation of six ongoing projects and eight new projects.

Supported Employment Program

We are requesting $26.5 million for the Supported Employment formula grant program, an increase of $519,000 over the fiscal year 1988 appropriated level. These additional funds reflect the Department's high priority on State-operated programs that provide opportunities to severely disabled persons.

Client Assistance Program

We are requesting $7.65 million for the Client Assistance Program, an increase of $150,000 over the fiscal year 1988 appropriaton. These funds should enable agencies to continue to provide the full range of services specified by the law. The minimum allotment would be increased for States to $75,000 and $45,000 for Territories, the new statutory amounts established by the 1986 Amendments.

Service and Demonstration Projects

We are requesting a total of $44.7 million for Service and Demonstration Projects. The request for Special Demonstration Programs is $16.6 million; $475,000 for Model Transition Grants; and $9.5 million for Supported Employment Projects. Projects with Industry and Migratory Worker Projects are proposed at the fiscal year 1988 appropriations levels of $17 million and $1.1 million respectively. No funds are requested for Recreational programs in 1989. Recreation is an activity more appropriately funded by private charities, local organizations, and other non-Federal sources. Since the Indian program would be funded through the Title I set-aside, no funds are requested for this program under Service and Demonstration Projects.

Helen Keller National Center

We are proposing $4.8 million for the Helen Keller National Center. The funding level requested is the same as the fiscal year 1988 appropriation.

Independent Living Programs

The fiscal year 1989 budget request for Independent Living programs would continue funding of Centers for Independent Living and Independent Living Services for Older Blind Individuals at the levels of the fiscal year 1988 appropriation. Independent Living Services provided under these programs would be maintained at existing levels. We are requesting an increase of $246,000 in the Comprehensive Services for Independent Living programs in order to emphasize the importance of statewide coordination of services. While the Department continues to recognize that the independent living programs are overlapping and duplicative in many ways, the 1989 budget request continues these programs at the 1988 level as an indication of our priority on programs which increase the independent living skills of persons who are severely disabled.

Training

The request for Training is $30 million, the same as the fiscal year 1988 appropriation. Funds will be used to cover continuation costs, new projects in most long-term training categories, and to continue support for the regional continuing education, State in-service, and interpreters for the deaf programs. Approximately one-third of the funds would be available for new awards. Funds would be allocated to address manpower needs identified by Departmental survey data.

National Institute on Disability and Rehabilitation Research

The request for the National Institute on Disability and Rehabilitation Research is $51.1 million. This funding level provides for continuation activities as well as new awards under several of the Institute's programs. The requested level is the same as the fiscal year 1988 appropriation.

Evaluation

Our request for Evalution is $1 million. By the end of 1988, almost every program authorized by the Rehabilitation Act will have had a recent evaluation. The funds requested for 1989 would be used to fund about six projects.

Mr. Chairman, I will be pleased to answer any questions you or your Committee may have.

STATEMENT OF BRUCE M. CARNES

It is a pleasure to be here to present our budget request for the Student Financial Assistance account. Our budget request for fiscal year 1989 is $6.1 billion, an increase of $555 million or 10 percent over the 1988 appropriation. Under this request, we estimate that the total amount of aid available will increase by about $900 million, to $16.5 billion.

However, we have no desire simply to spend more of the taxpayer's money. Increased funding should be accompanied by program improvements and reforms to ensure the proper expenditure of Federal funds. Consequently, we are proposing modifications to the Federal student aid programs designed to ensure educational quality, promote institutional accountability and reduce program abuse.

Our budget proposal includes legislation that provides a system of incentives designed to improve the quality of education at institutions participating in the campus-based programs, addresses the unacceptably high level of defaults in the student loan programs, and reduces unnecessary Federal subsidization.

The Administration is recommending additional legislative changes that would reform the eligibility requirements for all Federal student aid programs by eliminating the "ability to benefit" loophole, a provision that encourages defaults and the admission of unqualified students. Receipt of Federal student aid would require the student to possess a high school diploma or its equivalent. As you know, the Department recently released a report describing a variety of abuses by private vocational-technical schools, including its abuse of "ability to benefit." A number of these schools are racking up profits by enticing poorly prepared students with promises of financial aid and good-paying jobs, then keeping the Pell Grants and GSLs when they drop out, disillusioned and indebted. The Department is taking a number of administrative, regulatory, and legislative actions to deal with these abuses.

We also propose, for a two-year trial period, to simplify the student aid application and need analysis procedures by deleting the assessment of non-liquid assets (including homes, farms, businesses and other real estate investments) in the determination of financial need. This would be the first step toward the possible elimination of all assets from needs analysis, which would greatly reduce award errors and end the current system's disincentive to family savings. Long-term family financial planning and saving for postsecondary education will also be encouraged through the Administration's College Savings Bond initiative.

Pell Grants

For the Pell Grant program, we are requesting $5.011 billion, an increase of $751 million or 18 percent over the 1988 appropriation, in order to fully fund the current Pell Grant program at a maximum award of $2,300. In addition to increasing the maximum grant by $100 over the maximum in effect for 1988-89, this request would support the Administration's proposals to simplify the need analysis system and to eliminate the "ability to benefit" eligibility criterion. This request would provide 3,399,000 students with average grants of $1,470.

Supplemental Educational Opportunity Grants

For the Supplemental Educational Opportunity Grant program, the Administration is requesting $416.6 million, an increase of $8.2 million over the 1988 appropriation. These funds, along with the required institutional match, would provide grants averaging $700 to over 600,000 students.

We are proposing new legislation to implement an institutional performance accountability system in both this and the Work-Study programs. Annual allocations of Federal funds would be tied to the institution's achievement of measurable, institutionally-determined performance objectives in areas such as job placement and program completion.

Work-Study

For Work-Study, we are requesting $600 million for fiscal year 1989, an increase of $11.8 million over the 1988 appropriation, as well as a phased-in increase in the employer contribution, up to 50 percent by 1991-92. This would produce a more equitable sharing of support, recognizing the substantial benefits received by the employer, usually the participating institution, from the program. Further, the larger share of earnings provided by the employer would significantly increase the amount of available assistance at any appropriation level. Under our proposal, a total of 835,000 students would earn approximately $751 million, with earnings averaging $900 per student.

Additionally, our legislative proposals include the institutional accountability requirements, as described above, and eliminate for-profit enterprises, including proprietary schools, from eligibility as Work-Study employers. Subsidizing private businesses is an inappropriate use of Federal student aid resources and is unnecessary to assure the availability of adequate part-time employment opportunities for all needy students.

Income Contingent Loans

For the Income Contingent Loan (ICL) program, the Administration is requesting $50 million in new capital contributions for fiscal year 1989. This amount, an increase of $45.7 million over the 1988 level, when supplemented by institutional matching contributions, would provide approximately $51 million in new loans (averaging $2,300) to approximately 22,000 student borrowers.

In addition to the increased funding, access to these income-sensitive loans would be enhanced by extending eligibility to graduate students, eliminating the current ten-school limit on institutional participation, permitting consortia of institutions to participate, allowing ICL borrowers to combine repayment of their Perkins Loans with their ICLs, and allowing institutions to sell their ICLs.

Enhanced access to these loans is an important element in our effort to reduce defaults. This program avoids the repayment burden problems associated with traditional short-term, equal-installment payment schedules. Also, the flexible income-sensitive repayment plans avoid discouraging students from pursuing careers in low-paying fields.

Perkins Loans

The Administration is not requesting new Federal capital for the Perkins Loan program, since Perkins Loans provide heavy Federal subsidies far in excess of necessary levels. However, institutions choosing not to participate in the ICL program may continue to make Perkins Loans from their revolving funds. We estimate that such funds would provide $718 million in new loans to 776,000 student borrowers in 1989-90. The Department must reimburse institutions for certain loan cancellations. We are requesting $22 million for this purpose in 1989.

State Student Incentive Grants

We are requesting no Federal funding for the State Student Incentive Grant program for fiscal year 1989. The program goal of stimulating all States to provide need-based grants to postsecondary students has been accomplished. All States now have grant programs, and most States considerably overmatch the Federal contribution. For example, 44 States overmatched Federal funds in 1986-87. Forty-one of these States more than doubled the amount of need-based student grant aid required to match Federal funds. State expenditures have continued to expand even as Federal funding for SSIG has declined or remained level. This suggests a considerable commitment at the State level and indicates that Federal funds are no longer necessary to encourage States to provide student financial assistance.

College Savings Bonds

The Administration is proposing a new College Savings Bond program which would promote long-term savings by families and/or individuals for postsecondary education. Since cumulative interest income on bonds would be tax-exempt if the bonds are used to pay postsecondary educational expenses, our proposal rewards rather than discourages saving for college. The interest exemptions would be phased out for upper-income taxpayers.

Supplementals

We estimate that the 1988 Pell Grant appropriation of $4.260 billion, even when augmented by $160 million remaining from the previous two years, is insufficient to fully fund the program with a maximum award of $2,200 for 1988-89. Estimated program costs for 1988-89 are $4.519 billion. A $99 million shortfall exists and, as required by law, we have issued payment schedules that reduce student awards using the statutory "linear reduction" method. This method will cause 53,000 students to lose their grants entirely and another 1,229,000 students to have their grants reduced, when compared with a fully funded program.

We are not requesting additional program funding. Instead, we are proposing supplemental language which would address this shortfall by implementing a uniform dollar reduction of awards, currently estimated at $31 per award. We believe this would be more equitable than linear reduction, since no student would lose a full award and actual award reductions would be considerably smaller. However, we must have the necessary language enacted by April 30 to allow institutions adequate time to make adjustments to their 1988-89 aid packages.

We are also proposing that a technical error in the 1988 appropriations language be corrected so as to allow for the orderly obligation and expenditure of funds made available for the Income Contingent Loan program.

Summary

In total, our fiscal year 1989 Student Financial Assistance and Guaranteed Student Loan budget requests would generate approximately $16.5 billion in aid to students, an increase of $867 million over the previous year. Total aid available to students under these programs would be higher than ever before. Almost six million students would be helped. Our proposals have been developed in consideration of the traditional Federal commitment to providing access to postsecondary education for disadvantaged students while reinforcing program integrity through needed reforms. Overall, there will be expanded educational choice, fewer awards to unqualified students, greater equity in awards, improved quality of education and reduced program abuse.

This concludes my statement. My colleagues and I will be pleased to respond to any questions you may have.

STATEMENT OF BRUCE M. CARNES

I appreciate this opportunity to discuss the Administration's fiscal year 1989 budget request for the Guaranteed Student Loan program. This year we are requesting $2.736 billion to meet the costs of this program, an increase of $170.6 million over the 1988 appropriation level.

We believe the Guaranteed Student Loan program continues to be an effective mechanism for financing postsecondary education. Nearly 4 million students will receive over $9.5 billion through the Guaranteed Student Loan, Parent Loans for Undergraduate Students (PLUS) and the Supplemental Loans for Students (SLS) programs in fiscal year 1989. The cost of supporting the GSL program, after taking into account the receipt of student's loan orgination fees, will be approximately $1.5 billion in subsidies for interest and special allowance. These cost have largely been held in check by continued moderation in interest rates.

While the primary costs of supporting the program, interest and special allowance, have been brought under control over the past several years, the costs of defaults have increased alarmingly. Of the $2.736 billion we are requesting for fiscal year 1989, well over one half, $1.7 billion will be needed to pay for loans that have gone into default. These increasing default costs are undermining public confidence in the GSL program, taking scarce public resources from other student aid programs, and depriving future students of Federal student aid as more and more of the available resources are diverted to pay bad debts. If GSL defaults constituted a separate program, it would be the Department's third largest.

Proposals to Address the Default Problem

The Department has taken a number of actions to collect on defaulted loans. In fiscal year 1987 we collected $209 million, $44 million more than fiscal year 1986, and $142 million more than fiscal year 1985. We have taken numerous steps to make the collection apparatus more efficient and cost effective. Similar improved practices by some guarantee agencies have also proven to be successful. However, increasing efforts to collect on defaulted loans will not, by itself, solve the default problem.

Last November the Secretary announced that we would take steps to limit program participation of institutions with excessive default rates. Recent studies indicate that some 2,335 participating postsecondary institutions, many of which are proprietary schools, have student default rates in excess of 20 percent, with 533 above 50 percent. We hope that before drastic actions are required, institutions will work with us in undertaking extra measures to help prevent defaults. We have recommended that additional steps be taken by all involved parties to prevent loans from going into default. The most efficient default cure is to prevent defaults from occurring. To this end we are submitting, along with this budget request, a number of proposals that we believe will help stem the ever increasing number of defaults.

Reduction in Loan Insurance

Currently, if a borrower defaults on a loan, a lender is reimbursed for the total principal and interest on the loan. The lender is totally protected from financial loss, and there is little incentive to expend any major efforts in collecting on loans that become delinquent. We propose that the lender share some of the responsibility for defaults by reducing the amount of default payment the lender would receive from 100 to 90 percent. This would result in increased commitment on the part of the lender to pursue due diligence practices in attempting to collect on the loan.

Reduction in Reinsurance

In addition to the lenders and institutions of postsecondary education, the guarantee agencies have also been insulated from the impact of defaults in the program through the reinsurance provided by the Federal Government. For the most part, agencies are routinely reimbursed for 100 percent of all default claims they have paid to lenders. In addition, if the agencies then succeed in having the borrowers repay their loans after defaulting, the agencies retain at least 30 percent of the sums collected as a collection fee. There is very little financial incentive for guarantee agencies to work with institutions and lenders to help prevent defaults from occurring.

We propose to revise our current "trigger system", which provides for a reduction of reinsurance payments to a guarantee agency dependent upon default experience in the agency's State. In addition, overall reinsurance payments would be reduced by 10 percent. This would result in greater liability for agencies which have high rates of defaults in their States and encourage improvements in default prevention.

Expanded Use of the National Student Loan Data System

Current law authorizes the establishment of a National Student Loan Data System, to maintain records of all transactions in the program. A condition of its implementation is the prohibition against using the data base to determine borrower eligibility. This costly system is not needed for routine program management or research. Implementing it makes sense only if it can be used as a default prevention tool. At present it is literally impossible to monitor whether aggregate loan limits, for example, have been exceeded. We are proposing to eliminate this prohibition on its use and we are requesting funds for the system only on this basis.

Ability to Benefit

A recent study of vocational-technical schools found evidence of widespread abuse of the "ability to benefit" provision of the Higher Education Act. Many schools set no or low admission standards that enable them to admit students who lack the skills necessary to complete the program. Such students are far more likely to drop out and default on student loans than other students. We are proposing to eliminate this type of abuse by limiting Federal financial assistance to students who possess either a high school diploma or its recognized equivalent.

Credit Checks

Anyone who wishes to buy a car, refrigerator, house or any other merchandise, large or small, on credit is routinely checked through a credit bureau. Before a lender provides its depositors' funds to any potential borrower, assurances must be obtained that the loan will be repaid. It's a good business practice. Yet, in the Guaranteed Student Loan program we permit individuals to borrow over $50,000 without ever reviewing their credit histories. That's bad business.

We propose requiring lenders to routinely check the credit histories of potential borrowers under the program, just as they would with other borrowers. If the borrower has a poor credit history, the loan could be granted only if a credit-worthy cosigner was obtained. Students with no credit history would not be required to have a cosigner.

Routine Collection of Identifying Information

If a borrower does default on a loan, collection efforts are often hampered by the extremely limited amount of information available on the borrower. We propose requiring institutions to collect information when a student leaves the school that would assist in locating the borrower. Such information would include the driver's license number, the address of next of kin, and the borrower's expected address upon graduation.

These proposals along with those we will be presenting to improve accountability in the other student financial assistance programs will help reduce the default problem by lessening the possibility of defaults occurring.

I will be pleased to respond to any questions members of the Committee may have on our budget request.

STATEMENT OF KENNETH D. WHITEHEAD

Thank you for the opportunity to present the fiscal year 1989 budget request for the Higher Education account which totals $450.2 million. This amount is $84.3 million less than the amount appropriated for Higher Education in fiscal year 1988.

The emphasis of our request is on the Federal commitment to address the postsecondary education aspirations of poor and disadvantaged individuals. To meet this commitment, we propose to focus the Federal resources on programs that promote educational opportunities for these disadvantaged individuals. Specifically, we propose to target funds to those activities which assist historically Black colleges and universities in their mission of serving disadvantaged and minority students and which provide support services or financial assistance for disadvantaged students.

In addition, we propose significant funding to stimulate excellence and quality in postsecondary education, and to meet mandatory interest subsidy costs of construction loan commitments made in prior years.

The Higher Education account has historically funded a number of small programs which are overly narrow in scope, have already demonstrated the effectiveness of a particular educational approach, or which duplicate other programs. We have proposed that these programs be eliminated.

Aid for Institutions

Our 1989 request includes $137 million for Title III of the Higher Education Act, which authorizes support for institutional development. These programs help institutions which enroll substantial numbers of disadvantaged individuals. The funds appropriated for these programs are used by participating institutions to solve problems that threaten their ability to survive, stabilize their management and fiscal operations, and build endowments.

From its inception, Title III has played a key role in assisting the Nation's historically Black colleges and universities (HBCUs). These institutions were the primary source of postsecondary education for Blacks prior to the Supreme Court's desegregation ruling, and they continue to play a key role in enhancing educational opportunity and access for the disadvantaged. Because of student preference, location, low tuition, and institutional mission, HBCUs continue to enroll a large number of Blacks, other minorities, and low-income students.

In recognition of the critical role which these institutions play in our Nation's system of higher education, we propose to direct support under the Title III programs to HBCUs. Under our request these vital institutions would receive $80.5 million in fiscal year 1989 under Part B of Title III, a 10 percent increase over the 1988 appropriation. These and other institutions would also be eligible to compete for funds under the Endowment Grant program for which $20 million is requested in fiscal year 1989.

We propose several changes to the authorizing statute to improve the Part B program. These changes are proposed to target the funds to those institutions with the greatest need and expand the uses of the funds to include activities to help them become financially self-sufficient. Specifically, we would propose to allocate funds on the basis of the financial need of the institution by adding to the formula a measure of low educational and general expenditures. This would focus the funds on the more financially needy HBCUs. The legislative proposal also would broaden the purposes for which formula grant funds may be used to include activities which improve management and increase financial resources and activities.

The budget request for Title III also includes funds for non-competing continuation grants under the Strengthening Institutions program (Part A) in order to phase-out Federal support under this program. By 1993, Federal assistance under the Part A program would be totally eliminated. While the Department continues to place a high priority on aiding the disadvantaged, Federal funds for post-secondary education should primarily be focused on providing student financial aid. Direct general assistance to institutions should be provided only in special cases, such as recognizing the historical and current significance of HBCUs, and in endowment building, which will eventually free institutions from continued dependence on Federal grants.

Closely related to the Title III programs is the Minority Science Improvement program (MSIP) for which we request $5.4 million for fiscal year 1989, an increase of $105,000, or 2 percent, over the 1988 appropriation. The program provides grant assistance to enhance the capacity of minority institutions to develop and maintain quality science education programs, and to increase the flow of underrepresented minorities into the fields of science, math, and engineering. MSIP has and will continue to play a key role in assuring adequate access to quality postsecondary education by strengthening instruction and research at predominantly minority institutions of higher education, including HBCUs, and supplementing the assistance available under the Title III and other Federal programs.

Aid to Students

The Special Programs for the Disadvantaged, commonly referred to as the TRIO programs, provide services to promote access to and retention in postsecondary education for individuals from disadvantaged backgrounds. Our request for these programs in fiscal year 1989 is $205.8 million, which is the same as the 1988 appropriation. We are requesting support for all five of the currently funded programs under the TRIO authority--Student Support Services, Upward Bound, Talent Search, Educational Opportunity Centers (EOCs) and Staff Training. These programs complement the financial assistance available to disadvantaged students by providing services designed to identify, motivate, and assist them to develop the necessary skills to complete high school, and enter and complete postsecondary education.

In addition to the TRIO programs, we propose to support a number of other programs which assist disadvantaged and minority students. These programs are Patricia Roberts Harris Graduate Fellowships, Minority Participation in Graduate Education, and Legal Training for the Disadvantaged. These three programs, for which a total of $20.6 million is requested, help enable low-income and underrepresented college students pursue graduate or professional study by providing support services and targeted financial assistance.

We also propose to support the Robert C. Byrd Honors Scholarship program and the Jacob K. Javits Fellowship program. These programs are designed to recognize students who have demonstrated outstanding academic achievement and show promise of continued academic success, and to provide financial assistance to encourage these students to attend college or enroll in graduate study in the arts and humanities. These two programs help to promote student excellence and achievement by awarding financial aid on the basis of merit. A total of $14.4 million is requested for these two programs in fiscal year 1989, the same as the amount available for 1988.

Strengthening Postsecondary Quality

In addition to the programs designed to enhance educational opportunity, we believe that the Federal Government can play a key leadership role in improving the quality of offerings at institutions of higher education. To support this role, we propose to fund two programs--the Fund for the Improvement of Postsecondary Education and International Education.

For the Fund for the Improvement of Postsecondary Education, a total of $13.6 million is requested, an increase of $2 million over the fiscal year 1988 level. This increase will be used to support demonstration projects to encourage college cost containment. This is consistent with the existing FIPSE mandate which authorizes grants to design and introduce cost-effective methods of instruction and operation.

The International Education programs provide for a number of different activities which have as their goal improving the quality of foreign language and area studies instruction at schools and colleges in the United States. In addition, these programs help fulfill significant trade, defense, diplomatic, and security needs of the United States, by strengthening and broadening scholarly expertise in foreign language, area studies, and international issues. For these programs, we are requesting $30.7 million for fiscal year 1989, which is the same as the fiscal year 1988 appropriation.

Academic Facilities

In addition to the programs discussed above, we propose support for only one other program, Interest Subsidy Grants. Under this program, the Federal Government between 1970 and 1973 entered into agreements with institutions of higher education to help them construct academic facilities. These agreements obligate the Department to pay the difference between 3 percent and the commercial lending rate at the time the loan commitments were made. Our request for this program is $22.7 million which would be sufficient to meet the annual subsidy costs of the current loan portfolio.

Other Higher Education Programs

The 1989 request proposes elimination of several programs in the Higher Education account. These programs have either fulfilled their original purpose, have provided services available from other programs, or are not fundamentally a Federal responsibility. These programs are very low priority and should be eliminated to help reduce the Federal deficit and to focus Federal expenditures on more critical areas.

The Cooperative Education and Law School Clinical Experience programs have fulfilled their original purposes. These programs have demonstrated the soundness of cooperative education and clinical legal education. The effectiveness of these educational methodologies has been well documented, many institutions provide such services without Federal funding, and the institutions themselves would continue these programs without Federal support.

The Veterans' Education Outreach program has outlived its original purpose, which was to address the special higher education needs of large numbers of returning Vietnam veterans. The few veterans now enrolled in institutions will find the services which they require already available through the general counseling and support services programs. For this reason, no funds are requested for this program in fiscal year 1989.

A number of other fellowship and scholarship programs, including the Patricia Roberts Harris Public Service Fellowships, Paul Douglas

Teacher Scholarships, and Graduate Assistance in Areas of National Need duplicate several other programs administered by the Department and other Federal agencies, and are poorly designed or have fulfilled their purposes. These programs, therefore, are proposed for elimination.

Finally, no funds are requested for Innovative Community Services; Assistance to Guam; the Robert A. Taft Institute of Government; School, College, and University Partnerships, Academic Facilities Grants or any of the other special higher education projects. These are all nonessential and, therefore, low priority. Moreover, these activities are more properly the responsibility of colleges and universities, State and local governments, and private sector users and beneficiaries of higher education services.

Again, thank you for the opportunity to appear before you today in support of the budget request for the Higher Education account. My colleagues and I will be happy to respond to any questions you may have.

STATEMENT OF KENNETH D. WHITEHEAD

Thank you for the opportunity to present the fiscal year 1989 budget request for the three accounts which support, through direct loans and other activities, the reconstruction, renovation, and construction of higher education facilities. These accounts are: Higher Education Facilities Loans; College Housing Loans; and College Housing and Academic Facilities Loans.

If fiscal year 1989, we are requesting an appropriation for only one of these accounts, College Housing and Academic Facilities Loans, for which $1.7 million is requested. In addition, no authority to make new loan commitments is requested under the Higher Education Facilities Loans, College Housing Loans, and College Housing and Academic Facilities Loans accounts.

We are requesting no new loan authority because we believe that the Federal Government should not assume responsibility for financing the capital outlay needs of institutions of higher education or for maintaining their physical plants. Responsibility for this type of fundamental institutional support lies with colleges and universities themselves, State and local governments, taxpayers at those levels, private sector users and beneficiaries of higher education services, and the newly authorized College Construction Loan Insurance Association (Connie Lee). In particular, Connie Lee, with the infusion of $19.1 million from the Federal Government for the purchase of common stock, is now undertaking a significant role in assisting in the financing of institutional construction and reconstruction. With the implementation of Connie Lee we believe that it is no longer necessary to provide loans under any of the facilities loans programs. Let me briefly discuss these programs and changes which have occurred in the structuring of our budget for these accounts.

College Housing Loans

The College Housing Loans account provided direct loans for the construction, reconstruction, and renovation of student and faculty housing and related facilities prior to fiscal year 1987.

With the enactment of the Higher Education Amendments of 1986, it became necessary to create a new, separate account (College Housing and Academic Facilities Loans) for loans made in 1987 and subsequent years. Therefore, no new loans can be made from this account.

The main purpose of this account is to receive funds in repayment of loans made prior to 1987 and to make payments of principal and interest to Treasury on funds borrowed to finance these loans. Collections, which are used to redeem Treasury debt, come to the Department from three sources: regular repayments on loans; discounted prepayments of loans; and receipts from the sale of loan assets to the public.

In fiscal year 1989, we anticipate receiving $34.4 million in regular repayments on loans and an additional $204.6 million from the sale of loan assets to the public. With these receipts, no appropriation is required to meet the costs associated with this program in fiscal year 1989. The sale of loan assets to the public is contingent upon the Congress repealing the prohibition against selling these loans in 1989.

Higher Education Facilities Loans

We are also proposing to repeal the statutory prohibition against selling Higher Education Facilities Loans in fiscal year 1989. This would permit the Department to realize approximately $25.8 million in revenues in that fiscal year.

As previously noted, no new loans are proposed under this program in 1989. This is consistent with past Federal policy inasmuch as this program has been largely inactive since 1975.

College Housing and Academic Facilities Loans

The most significant change to the facilities programs in fiscal year 1989 is the creation of a new account, College Housing and Academic Facilities Loans (CHAFL), to implement Part F of Title VII of the Higher Education Act. With the enactment of the Higher Education Amendments of 1986, which changed substantially the terms under which the Secretary of Education acquires capital for new loans, it has been necessary to establish this separate account to support loans made in fiscal year 1987 and subsequent years. Since fiscal year 1987, the Department has provided new loans to institutions by borrowing from the Treasury.

The intent of the 1986 amendments was to lower the overall Federal cost of new loans made under this program by raising the interest rate paid by institutions to 5.5 percent. Under the new statute, the loans made at 5.5 percent cannot be supported by using funds from repayment of prior-year loan commitments. These previous commitments were financed under an existing note with Treasury bearing only 2.75 percent interest. The new authority permits making new 5.5 percent loans only from funds borrowed from the Treasury at a prevailing rate for long-term securities that are 5.25 percent or above.

To support the loans made in fiscal year 1987, the Department borrowed from the Treasury at 8.97 percent. This rate was based upon the average current yield on outstanding obligations of the United States of comparable maturities in the month preceding the month in which the loan commitments were signed.

As a result of the improved financing provisions of the 1986 Higher Education Amendments, the Federal interest subsidy for loans made in 1987 and thereafter will be paid annually by the Department. Under the old College Housing program, the subsidy costs were borne inappropriately by the Treasury and thus were not fully considered in budget allocation decisions. For the duration of the loans originated in 1987 and 1988, the Department must seek appropriations to make up the difference between the interest rate at which the Department borrowed from the Treasury (8.97 percent for 1987 loans) and the interest rate which institutions pay (5.5 percent). For 1989, this shortfall is estimated at $1.7 million.

It is, for the reasons previously stated, inappropriate for the Department to request further authority to make new loans under this program.

This concludes my statement. My colleagues and I are available to answer any questions you may have.

STATEMENT OF CHESTER E. FINN, JR.

We appreciate the opportunity to appear before you to discuss the 1989 budget for Education Research and Statistics.

Fiscal Year 1989 Request

In 1867, Congress created a fledgling Federal education agency and directed it to provide the Nation with regular information on "the condition and progress of education." The Office of Educational Research and Improvement (OERI) bears the primary responsibility within the current Education Department for carrying out this oldest and most central element of the Federal role in American education.

For 121 years, OERI and its predecessors have gathered, analyzed, and disseminated information about education. On behalf of the President, I come before you today to request the resources necessary to carry on and improve upon this long tradition.

We are requesting $84.4 million for 1989, which is $16.9 million more than the $67.5 million appropriated for 1988. We propose to use these funds to investigate many issues of concern to virtually everyone involved in -- or affected by -- better education; to continue repairing the Nation's education statistics base; to track the education reform movement, to help us better understand "what works" in education; and, through our publishing and dissemination activities, to get more such information into the hands of parents, practicing educators, policymakers, and other education-minded Americans.

It is fitting that our request comes on the fifth anniversary of the publication of A Nation at Risk, the report that helped spark massive reform efforts in States and localities across the country. Education continues to rank high on the public agenda. Citizens consistently point to the quality of schooling as a domestic issue of overriding importance, and elected officials (and aspirants) are sensitive to their concerns. Indeed, America's desire for excellence in education has probably never been keener.

Education changes begun in the past few years have wrought some distinct and noteworthy improvements in how some schools are run and children are educated. But these accomplishments pale in the face of what remains undone. Young people continue to abandon their schooling at unacceptably high rates, yet we are only now beginning to collect national dropout data on a regular basis. School reformers are acting quickly to implement sweeping changes that may remain in place for decades, changes such as increasing graduation requirements, reinvigorating the core curriculum, and restructuring certification practices and reward systems for teachers, to name but a few. Yet we frequently lack the information needed to evaluate either the immediate impact or long-range effects of these policies. Indeed, the knowledge we have gained about good practice is sometimes fragmentary, the research findings inconclusive, and the statistical data incomplete.

The context of our request is also worthy of note. In 1985, this Administration reorganized the National Institute of Education, the National Center for Education Statistics, and the Center for Libraries and Education Improvement into a single organization, the "new" Office of Educational Research and Improvement. Secretary Bennett and I had several goals for OERI, among which were: to improve the Nation's statistical information on education, filling gaps in currently available data; to provide reliable and valid information about education outcomes and quality, as well as about what works in education; to enlarge the intellectual capital of education by investing in well-chosen, high-quality studies of important issues and problems; and to improve the dissemination and use of education information among education practitioners, policymakers, and the general public.

We have since made significant progress in repairing our statistics and assessment capabilities, thanks in part to funding increases you and your colleagues in the Congress have granted the Center for Education Statistics. The funds we request for the Center in fiscal year 1989 will help us further develop the statistics and assesssment rejuvenation process begun in 1985 and significantly advanced in 1988.

We have made much more limited progress to date in the research, improvement, and dissemination functions of OERI. We have been able, for example, to establish several research "mini-centers" to investigate teaching and learning in the key content areas of math, science, and elementary education; and, in collaboration with the National Endowment for the Arts, we have established a kindred center in art and another one in literature. We are also well on our way to establishing two larger centers in fiscal year 1988, one to study leadership in education and one to examine education technology. We have created and disseminated a variety of readable publications, such as What Works, What Works II, and our "Research-in-Brief" series, which translate research findings into layman's terms and are directed at parents and educators. And we have produced both more practitioner oriented publications, like our Principal Selection Guide and Dealing with Dropouts, and more policymaker directed items, such as Japanese Education Today and What's Happening in Teacher Testing.

But resource constraints, earmarks, and minimum spending levels in our authorizing legislation have worsened over the years -- a phenomenon documented by the General Accounting Office a few months back -- and have left us, in fiscal year 1988, with a sorely unbalanced portfolio of research activities. This year we must devote 94 percent of our research budget (excluding ERIC) to regional laboratories and university-based centers; only a tiny sum is left to support individual researchers and other kinds of worthy research projects.

The imbalance is leaving many important issues and questions unexamined, many worthwhile activities forsaken or foreshortened, and several of OERI's older programs unrepaired. For example, in 1988 we will be unable to carry out studies of the school reform movement and syntheses of research and effective practice in critical areas, including early childhood education and the effectiveness of middle schools and schools serving low-income, low-achieving students. Nor will we be able to maintain the OERI Research Fellows Program -- which we revived from its long dormancy with seven fellows in 1986 and five in 1987 -- and we've had to curtail the Teachers as Researchers grant program. Likewise, the ERIC system is in urgent need of change and improvement, but most of these plans must also go unrealized this year.

Our fiscal year 1989 budget contains funding recommendations that will allow us to begin remedying this imbalance and making improvements in the research, improvement, and dissemination portions of OERI. Our request includes a doubling in funds for field-initiated research, where in 1986 and 1987 combined we were able to support just 19 of 438 proposed projects. It also contains more adequate funding for the Fellows Program, the Teachers as Researchers Program, for ERIC improvements, for appraisals of the reform movement, and for a variety of research syntheses on important topics.

The request before you represents the last opportunity for this administration to work with the Congress to complement the improvements made in statistics with a rejuvenated research, improvement, and dissemination capability. But we do not ask for our own sake. Many organizations and individuals are beginning to understand OERI's potential and proposing that we be strengthened.

The National Governors' Association, for example, in its 1987 follow-up to Time for Results, said "Governors want to know what works and how well it works," and it urged us to "Strengthen the Federal commitment to research, information collection, and dissemination." Similarly, the Committee for Economic Development, in last year's Children in Need: Investment Strategies for the Educationally Disadvantaged, called for "...the federal government to fund high-quality research, development, evaluation, and technical assistance...."

Individuals as diverse as the head of the American Federation of Teachers and the head of Xerox have called for an invigorated OERI. Albert Shanker, president of the AFT, has, in numerous "Where We Stand" editorials, called for an increase in Federal support for education research, statistics, and assessment. And David Kearns, the Chairman of the Xerox Corporation, in a much-heralded speech in Detroit last October, remarked that "The one area in which Washington ought to excel -- and doesn't -- is research....At least...$300 million should be appropriated for research on school and classroom organization, learning theories and instructional techniques, and on emerging educational technologies." These individuals and organizations recognize that OERI has the makings of a valuable public service enterprise, is doing good work, and could contribute still more if given the wherewithal.

The largest portion of the 1989 request would again support continuation of long-established programs and activities, such as the Regional Educational Laboratories, the university-based Educational Research and Development Centers, the National Assessment of Educational Progress (NAEP), and the Education Resource Information Center (ERIC). The remainder would provide for much-needed improvements, some of which have been postponed from earlier years. It would enable us to continue to strengthen most of the major data-gathering and assessment activities of the Center for Education Statistics, initiate two new research centers (one to study the effective education of the disadvantaged and one to study civics and citizenship education), double the field-initiated research program, improve the ERIC system, expand our appraisals of the impact and effectiveness of school reforms, and upgrade an array of systems and projects for disseminating information to practitioners, parents, and policymakers. Let me note a few of the highlights.

Center for Education Statistics

Our $32.9 million request for the Center represents an $11.9 million increase over the 1988 appropriations, though it must be noted that over 30 percent of this increase will support studies

previously funded from other Department appropriations (though conducted by the Center): the National Postsecondary Student Aid Survey, high school transcript studies, and the annual, multi-agency Doctoral Records study. Among the new projects to be undertaken by the Center are a new statistics system to be implemented in cooperation with the States and a special study panel on education indicators, both required by the new authorizing legislation; support of a portion of a new international reading literacy study; a study of transition and retention patterns in postsecondary schooling; and better efforts to gather library statistics.

Office of Research

About $16.7 million of the $23.4 million Office of Research request would provide continued support to 18 university-based centers. An additional $2.1 million would launch the two new centers mentioned earlier. We also propose to increase funding for the "field-initiated" studies program to $1 million. And the Office of Research would spend the remaining funds on research into school reform, productivity in higher education, parent involvement, early childhood learning, student motivation, and reading and literacy.

Programs for the Improvement of Practice

Some $17.6 million of our $19.8 million request for Programs for the Improvement of Practice would be used for continued funding of the nine regional educational laboratories, which in fiscal year 1989 will be in the fourth year of their current five-year contracts. We would pursue a range of activities with the nearly $2 million remaining. Like the Office of Research, Programs for the Improvement of Practice would track and evaluate the education reform movement and would produce publications about successful education improvement measures. The unit would also produce a series of booklets or syntheses bringing solid research to bear on education problems such as school discipline, coping with ability differences, and choosing a good preschool program.

Information Services

Information Services is OERI's publishing and dissemination unit, making education information widely available and easily accessible to practitioners, policymakers, parents, and the general public. $6.7 million of this unit's $8.3 million budget supports the ERIC system. Additional funds sought here would support the ERIC Facility and ACCESS ERIC. The remainder of funds for Information Services would be used for OERI publishing (we expect almost 150 publications during 1989), dissemination, and outreach efforts, OERI electronic data systems, and the Department of Education Research Library.

Conclusion

This budget plan represents a good-faith effort by the Administration to restore quality, breadth, and reliability to the Nation's education research and statistics efforts. It will round out recent efforts to buttress and complete the statistical database and will begin the needed renaissance of federally-sponsored research, improvement, and dissemination efforts. We at OERI are prepared to do out part in making these efforts succeed. We invite the Congress to join us in this endeavor.

My colleagues and I will be happy to respond to any questions you may have.

STATEMENT OF CHESTER E. FINN, JR.

I appreciate this opportunity to discuss with you the Department of Education's 1989 budget request for library programs. This request contains a bold and well-warranted proposal for an innovative approach to the Federal Government's role in our Nation's library system. We trust you will give it your attention in these deliberations.

Fiscal Year 1989 Request

Thirty-two years ago the Federal Government began providing funds to bolster America's library system. In the late 1950s, several maladies affected that system. For example, many Americans had scant access to libraries, qualified librarians were in short supply, and few libraries were linked or shared resources.

In subsequent decades, the American library system has improved dramatically. Funds distributed through the Library Services Act and its successor, the Library Services and Construction Act (LSCA), have contributed to a massive facilities- and materials-building effort that now provides most Americans, even those in rural areas, with access to library books and other resources. Also, thanks in part to LSCA, the Higher Education Act (HEA), and other programs, we have more librarians today who are professionally trained, increased preservation of rare materials, and greatly facilitated interlibrary communication and loan mechanisms through new technologies. In addition, funding for libraries from State, local, and private sources has increased such that the $135.1 million the Department will spend on library programs in fiscal year 1988 represents just 3 percent of all library spending nationwide.

It is not an exaggeration to say, therefore, that many of the systemic and funding problems Congress hoped to solve when it began aiding libraries have been addressed, and some have been resolved. As a result of three decades of support, library systems have been created which encourage all types of libraries to share existing resources, cost-saving cooperative book purchasing, development of State and regional on-line catalogs, and staff training through workshops and continuing education opportunities.

As libraries and library users move into the twenty-first century, and as budget constraints dictate that all Federal agencies exercise fiscal restraint, it is important that funds for libraries be targeted where they will do the most good. We believe that the present LSCA programs reflect the needs of the past. Programmatic goals should be redefined and more specifically focused to better address new and evolving priorities.

The administration is thus proposing new legislation to increase the impact of libraries on education, research, and lifelong learning, especially for the disadvantaged. The proposed legislation would emphasize three program areas. The first would improve the services that libraries provide to disadvantaged and/or handicapped individuals; the second would increase the access of library users, including scholars, to a wider array of library materials through expanded resource sharing; and the third would emphasize support for research and assessment needed to improve the quality of library services.

To this end, we are requesting $76 million for fiscal year 1989.

Services to the Disadvantaged

Title I of the new legislation would allocate $45 million to the States to support local library projects that would provide new or expanded library services to economically disadvantaged or handicapped individuals. These funds would be used for a variety of library projects, such as: adult basic education programs; literacy training; development of library collections in rural areas; English instruction; information and referral centers; summer reading programs; after-school homework programs; services to individuals in correctional institutions, nursing homes, or hospitals; and purchase and distribution of large-print books and other materials for handicapped persons. States would establish their own priorities for the use of these funds, but we expect that projects would serve disadvantaged and handicapped persons in both rural and urban areas. State library agencies would either support projects directly or through public and private agencies. This "seed money" would be available to initiate new and innovative programs. And collaborative projects would be encouraged as well.

Resource Sharing

Title II of our program would be funded at $30 million to encourage increased access to library books and materials through new or expanded resource-sharing networks. Of this sum, $20 million would be allocated to the States for the development of new or expanded interstate and intrastate library networks. The remaining $10 million would be earmarked for discretionary grants to all types of libraries primarily for the development or expansion of interstate library networks.

Title II funds, both the State-administered program and the discretionary program, would be used for activities such as: specialized training of library personnel to operate library networks; acquisition and maintenance of computer hardware, software, and communications lines; restoration of rare books; purchase of materials to complete significant collections to be shared; and the support of other activities that would lead to the sharing of books and other materials among libraries.

All $45 million of Title I funds and $20 million of Title II funds would be offered as State formula grants. State library agencies would serve as the administrative and fiscal agents for these funds.

Research and Assessment

Title III would be funded at $1 million in fiscal year 1989. This money would be used to support research, evaluation, and policy studies needed to improve and strengthen all types of libraries. The following are types of activities which would be carried out under Title III: investigations of ways to improve the use of library services by economically disadvantaged or handicapped persons; investigations of methods to increase resource sharing and make library services more efficient; assessments of users' needs; and assessments of the effectiveness and efficiency of library services. Funding for these studies would be available through competitive grants, contracts, or cooperative agreements.

Conclusion

For seven years, this administration has pointed out that Federal library programs have succeeded in building a strong nationwide library system, and that the Federal Government need no longer fund these programs. Congress has instead asserted that there is an enduring Federal role in building our library system. Congress has also challenged the administration to come up with a better proposal for spending Federal funds on libraries. We believe that the program just outlined is a better proposal, one that merits serious consideration by Congress.

In a time of severe budget restrictions, it is our responsibility to ensure that every Federal dollar is focused on an area of authentic national need. With this goal in mind, we have designed a library program that would direct Federal monies to library-sponsored services to the disadvantaged, and to those activities, such as research and resource sharing, that would provide the most benefit to the larger library community. This proposal defines more clearly the roles of States, localities, and the Federal Government as they work together to build and evaluate the Nation's library programs. We look forward to discussing it with you.

My colleagues and I will be happy to respond to any questions you may have.

REDUCING GSL DEFAULT RATE

Senator CHILES. Thank you, sir.

The guaranteed student loan default rate was 11.6 percent in 1985. It's projected to be 14.4 percent in 1989. The net rate, net of collections, also increases from 8.9 percent to 9.8 percent. We know the categories of students with relatively high default rates, students who drop out and don't finish the program, independent students who do not get financial support from their parents, students in vocational schools, and low-income students.

I agree with the need to reduce the default rate, but how do we decrease the default rate while not adversely affecting educational access?

Mr. CARNES. That is, of course, the critical question, it seems to me, in dealing with the default problem.

We do believe that a principal problem with defaults has to do with the abuse and victimization of a number of students rather than actually affording them educational opportunities. We have seen countless tales in the media, on television, from our inspector general, and from GAO of students who have been enticed either to drop out of high school or to enter postsecondary training without really having the ability to undertake the work. These students have not been admitted based on their own best interests. As a result, many of these students have not been protected and, indeed, have become victims and are then subsequently not equipped with the training they need to secure jobs to repay those loans.

I think that if we are to exercise our responsibility to those students, it's incumbent upon us to have more assurance than we now have that those students are going to be able to do the work that they are undertaking before they saddle themselves with sizable debts and potential credit risk and adverse credit histories that will follow them for years. I think we owe it to them to protect them better than that.

As a consequence, we have proposed a revision to the ability to benefit provisions. At the same time we feel that the partnership that theoretically exists between the Federal Government and the private sector and the States is pretty much a one-way street right now, with the Federal Government assuming almost the entire risk.

What we have proposed are measures which will increase the risk of lenders and guaranty agencies and, we believe, increase their diligence in collecting loans without adversely affecting the access to students. There are, after all, nearly 13,000 lenders in the program. We think a modest increase in their responsibility in the program will not jeopardize access to loans. What we're talking about is not preventing people from getting loans, but increasing the responsibility of those parties who are involved in the transaction, and that includes institutions making sure that they do a better job of advising their students as to what responsibilities they bare under a loan program.

LIMITING INSTITUTIONAL ELIGIBILITY

Senator CHILES. Well, how do we police out some of these fly-by-night operators or these shyster operators that are not really giving good product nor care about that? They are only trying to make money.

Mr. CARNES. This is a very tough one to handle from the Federal level. We do not have the authority to certify institutions and the quality of their programs in that sense. We keep them at arm's length. As a result, much of our ability to assure that the product that they're offering is a good product is contingent upon accrediting bodies.

Now, we recognize accrediting bodies, but we do not pass on the decisions and recommendations that they make. We are going to be issuing very shortly revised accreditation regulations which will take into account for the first time the results of the programs that are being offered. That is to say, before accrediting bodies accredit an institution, they will have to pay more attention now to the results of the institution's programs. They will have to look at whether students stay in or drop out. They will have to look at whether students actually get trained and get licensed and whether students get jobs. And their claims will be measured against their performance.

In addition, I think it is incumbent upon the States which, indeed, license many of these institutions to be as diligent as they can in their licensing procedures.

I think a lot of the problem stems from the fact that much of our effort is directed at the tail end of the process, if you will. After disasters have occurred, we try to find those responsible. That is a very difficult job when you've got over 8,000 institutions that participate in the Federal aid programs. Many of those are proprietary institutions, not colleges and universities. That's a tremendous universe that we have to monitor.

That's why I think it is important for us to do some front-end things to assure that programs and schools and institutions that are in the program are doing a better job. Our accreditation regulations which we'll be publishing shortly in an NPRM, as well as our ability to benefit provisions are, again, front-end procedures that I think will go a long way. We can't do it all. The States have to do a lot of it too.

Senator CHILES. Now, you say you rely on the accrediting. Who accredits a lot of the schools that are proprietary schools that are out there that are teaching trades as opposed to college educational matters? Who does the accrediting?

Mr. CARNES. They do it themselves. There is an aspect to this, if one were not disposed to be charitable, where it's the fox guarding the hen house—there's no question about it. The accrediting bodies are made up of representatives of the institutions that they accredit. That's the way it works with colleges and universities. That's also the way it works with proprietary institutions. There is a potential conflict of interest problem there. On the other hand, it is the traditional and constitutional prohibition against the Federal Government's intrusion into this area that causes us to rely on that mechanism.

Senator CHILES. A constitutional prohibition?

Mr. CARNES. Well, we're prohibited from establishing curriculum. And as we interpret that, we lack the authority in law to go into an institution and determine the quality of any particular course or academic program and say this one is good, this one is bad. We traditionally have stayed out of that, and that's how we interpret the statutory prohibition against setting curriculum. We got into the——

Senator CHILES. That's not constitutional.

Mr. CARNES. Yes, indeed.

Senator CHILES. Pardon?

Mr. CARNES. That's how we view that, yes, sir.

I'm sorry. I must have misunderstood your question.

Senator CHILES. A statute is a statute, passed by law. It can be changed. With the Constitution, we're talking about the basic document of the United States.

Mr. CARNES. The point I was making was that the Constitution does not empower the Federal Government to make any kind of decisions like that.

Senator CHILES. It does not prohibit it.

Mr. CARNES. It does not prohibit it.

Senator CHILES. I mean, if Congress wanted to say you must accredit these schools, you wouldn't say that somebody could take us to the Supreme Court and prevent us from doing that.

Mr. CARNES. No; we would do it.

Senator CHILES. Then it is not constitutional. You're saying——

Mr. CARNES. The constitutional provision simply leaves education to the States. In the Constitution, the Federal Government's role in education is not mentioned.

Senator CHILES. Well, we have now seen the way the Constitution has been interpreted, that the Federal Government's role is not mentioned in about 99 percent of the things that we do.

Mr. CARNES. That's quite true.

Senator CHILES. But we do it.

Mr. Carnes. I'll grant you that one.

ACCREDITATION PROCESS

Senator Chiles. Well, it seems like to me we're talking about such a large amount of money and so many problems in this that if you're not going to do it, you ought to be requiring the States to do it. Someone ought to be having to set up some accreditation process that people can rely on. We're again talking about the students themselves being able to rely on it, and we're talking about the taxpayers being able to rely on it.

Mr. Carnes. I agree. And the accreditation process has heretofore principally focused on what you might call inputs; that is to say, the size of the faculty and their educational background, the size of the facilities, the size of the library, and so forth. What we think needs to be focused on at all levels, not just at proprietary institutions, is the outcome of all that process. What happens to the students? Are they better off for having been there? So, we are revising our regulations so that accrediting bodies will have to take that into account when they make accrediting decisions.

We are pushing quite hard on that and, I might say, pushing against the reluctance generally of the accrediting community to get involved in that. They're not interested in doing that. We are pushing as hard as we can push, but we are pushing. There will be a requirement that they look at the outcomes and the results. Kids are going to have to be better off.

DECERTIFICATION OF ACCREDITING BODIES

Senator Chiles. Now, what if they don't do their job or they don't look at that?

Mr. Carnes. Well, we then decertify the accrediting agency. They would not be allowed to accredit institutions. They come up periodically for reviews by us every few years or so.

Senator Chiles. Have you ever decertified an accrediting agency?

Mr. Whitehead. No.

Mr. Carnes. Not yet.

Senator Chiles. Well, that's not a very strong threat out there right now, is it?

Mr. Whitehead. That is why we want to get the new regulations in place, Mr. Chairman.

Senator Chiles. Do you think that will give you an opportunity to decertify someone if they don't comply?

Mr. Carnes. We certainly would intend that.

RECOVERY OF GUARANTY AGENCY EXCESS RESERVES

Senator Chiles. The Budget Reconciliation Act signed last December 22 required that $250 million of excess reserves be recovered from the 58 guaranty agencies. This requirement is based on GAO findings that as of September 30, 1986, the guaranty agencies had excess reserves of over $345 million. As of March 25, only two States, Kentucky and Nevada, had paid in $191,000. Four States had decided to sue, and the remaining have asked for waivers.

What is the status of the recovery effort, and will we recover the full $250 million this year as is assumed in the bipartisan summit agreement?

Mr. CARNES. I'm going to have to say that I doubt that we're going to recover the full amount. I believe Massachusetts has also expressed its intention to repay advances. But it is quite true that the majority of States are appealing it. We have a process in place. Those appeals were due at the end of April. They are now being reviewed and recommendations will be made by Mr. Whitehead to the Secretary as to whether those appeals for waiver should be granted. If they are granted, we lose the money. If they are not granted, we then go the next step.

Senator CHILES. What is the basis of the appeal, Mr. Whitehead?

Mr. WHITEHEAD. The agencies are contending, as in the case of the ones that are suing us, that we don't have the right to take this money. They don't consider it an excess; they consider it to be their property which they now say the Federal Government is taking without compensation. And they're suing us on those grounds.

Other agencies are making a variety of different appeals. We think that we can negotiate with some of them. Others perhaps will have a case; others will not. I think the reason this process has been delayed a little bit, Mr. Chairman, has been in the interest of equity, and we have informed the committees about the process. Of all the agencies, 15 out of the 44, did request to have hearings, and we felt that it was only equitable to let the others know that there were going to be such presentations. And 21 of those have asked for oral hearings. So, this has made the process a lot more complicated than we envisaged, but it has been moving very rapidly. By the end of this month we should come to a pretty fair conclusion as to just what we're going to recover and just what——

Senator CHILES. What is your opinion or your lawyer's opinion as to whether this money belongs to them?

Mr. WHITEHEAD. My opinion is that this money was clearly provided to them. The GAO, however, has determined that the guaranty agencies now have excess money available that should be returned. Rather than them have it on hand to earn interest, we agree with GAO that the excess money can and should be returned. They will have to show good reasons to avoid that.

Senator CHILES. But what it seems like to me from my cursory knowledge of it without having researched the law or anything is that there may be a case on the basis that we need to keep a certain reserve or surplus. That may be an arguable matter. But just because we have this money, it is ours, other than possession being nine-tenths of the law, I don't think that would hold much water.

Mr. WHITEHEAD. Well, Mr. Chairman, the Congress did lower the amount from what the GAO had determined could come back to us. I think the Congress lowered that fairly generously, and we proceeded from there in our collection effort.

ADMINISTRATIVE COST ALLOWANCE

Senator CHILES. Well, approximately $100 million of the $2.7 billion requested for the Guaranteed Student Loan Program is to pay administrative cost allowance. In view of the large reserves built up by the guaranty agencies, should that full administrative cost allowance payment be made?

Mr. CARNES. I believe the administrative cost allowance is now mandatory in the statute, and we have no choice but to pay it. So, that's why you see that figure there.

INCOME CONTINGENT LOAN PROGRAM

Senator CHILES. Last year the committee provided $4.3 million for income contingent loans for a limited demonstration project. This year the administration has requested $50 million for the program and has requested the 10 institution cap for the program be lifted. As we discussed at last year's hearing, this program, by stretching out repayments over more years than the GSL Program, exposes a student to a greater debt burden.

What interest has been expressed for expanding this pilot project beyond the existing 10 institutions?

Mr. CARNES. When we originally offered the program in the first year, we funded slightly less than one out of every three applicants. So, we think that the application demand was considerably greater, obviously, than we were able to satisfy, notwithstanding the fact that it was known to all when we began that we would only be able to make 10 awards. That's one reason.

The other reason is that when you have only 10 institutions out of a sizable universe of postsecondary institutions, you're not really getting a very good representation of whether this program is effective in particular circumstances. We think it is probably more successful for some students and in certain institutions than it is at others. What we're seeking with our appropriation request is simply to expand the pilot so that we have a more diverse universe to look at when we make our evaluation of the program.

PELL GRANT PROGRAM COST ESTIMATES

Senator CHILES. Last December the Department estimated that we needed $4.671 billion to fund the Pell Grant Program with a maximum grant of $2,200. In February we learned that the estimate was $4.519 billion, down $152 million, plus, a $160 million carryover. So, the real shortfall was $99 million.

In April before the House Appropriations Committee, the Department announced that $4.260 billion provided by the Congress in 1988 was probably enough. So, between December and April, the Department's Pell grant estimate has changed twice and come down about $411 million.

Why is it so difficult to estimate the cost of the program, and what are you doing to try to improve your record in this area?

Mr. CARNES. I said yesterday that impact aid was like putting socks on an octopus. Well, this is like putting socks on 1,000 octopuses. Our estimates have to be based upon assumptions that we have to make about the individual decisions of about 3½ million students as to whether they're going to go to college, where they're going to go to college, what their individual income levels are, and what the costs are going to be of the institution that they attend and how those costs are going to increase. Given the fact that there are so many millions of variables, we can only come within a certain plus or minus amount.

Now, we revised our shortfall estimate, but we're still not revising our estimate of the program cost, if you will. What has happened is that we have had an increased level of funds returned from institutions that got advances on Pell grants a couple of years ago. In other words, we pay out money for Pell grants based on our estimates. Institutions then award those grants. Sometimes, in point of fact, they have fewer students who need the money than they originally estimated. That money then comes back to the Department. We have to estimate the amount that comes back to us. We're still collecting money from institutions for the 1987–88 and 1986–87 award years. Our revision in March and April was based on the fact that we had an increased amount of money returned to us, slightly more than we thought that we were going to get. That caused us to come within $50 million, plus or minus, on the total shortfall. So, we said we'll roll the dice and go with full funding.

GUARANTEED STUDENT LOAN DEFAULT INITIATIVE

Senator CHILES. The Department is supposed to limit or terminate institutions from the Guaranteed Student Loan Program if the default rate is over 20 percent. About one-third of your participating institutions are over that. More than three-quarters of the historically black colleges and universities have default rates over 70 percent. I noticed on your list of actions institutions can take to reduce GSL default rates, you list an item called improved admission practice.

Does that mean anything other than limiting higher education to certain students?

Mr. CARNES. Let me just say first off I don't believe your figure that 50 percent of the institutions have default rates above 70 percent is accurate. Maybe I misunderstood what you said.

Senator CHILES. I said my information was three-quarters of the black universities.

Mr. CARNES. No; I don't believe that figure is accurate. It's much lower than that. There are many institutions, historically black colleges and universities, that have default rates way below that, and they are just fine and have no problem meeting the overall guideline. We do think that, by far, the vast majority of historically black colleges and universities will be able to meet this guideline without undue difficulty.

I would also point out that that 20 percent figure means that an institution would then enter an LS&T proceeding. The outcome of that proceeding at the most would be termination. It could also be limitation or suspension, or nothing. We would be guided in each case by exactly what was going on at that institution, what the circumstances were, whether in fact the institution had been making a good faith effort, and whether the trend lines are downward.

So, we will try to be guided by reason here and common sense. But we also think that 20 percent is still a pretty high default rate.

As to the admissions part of your question, what we're talking about here is that in many cases students, when they are admitted to proprietary institutions often—particularly if they're admitted under the ability to benefit provision—do not have much more than a third or fourth grade reading and mathematical ability. We think that there have to be some standards there better than that.

The second thing is there is not, in many cases, adequate counseling for incoming students as to what they're getting in their student aid packages. We find it surprising that at many universities students are not aware when they get aid that they have, in fact, gotten a loan. We think there have to be improved admissions procedures, including counseling, so that students know they've got loans and know what the responsibilities for handling those loans are, as well as their rights.

RESEARCH AND DRUG ABUSE

Senator CHILES. Dr. Finn, Secretary Bennett has been on the front lines of the fight to keep drugs out of our schools. Your budget documents mention that your Office of Research commissioned research papers in 1987 to examine new approaches to prevent student drug and alcohol abuse.

What is your office's total level of effort in this research area? And do you consider it adequate to support the antidrug abuse campaign that is being mounted elsewhere in the Department?

Mr. FINN. Senator, this money is part of the drug education appropriation, not the research appropriation. But because we're the research office, we commissioned these studies.

There are 10 papers. Seven of them have been turned in. Three of them are yet to be turned in. I've had a chance to skim the ones that have been turned in, and I think they're interesting and useful. They're going to be the subject of a publication and, in time, a conference. We're talking here about only small paper writing costs. We're talking about $100,000 for this activity as part of the drug education program.

We also have a couple of other drug-related projects. One is an examination of schools that have particularly successful drug curricula, again in the vicinity of $100,000. We are very nearly ready to recognize and announce this year's selection of schools that are very effective in fighting drug abuse.

Senator CHILES. Well, given the magnitude of the problem that we're facing out there and the fact that we don't seem to know right now how we go about educating young people not to use drugs. We know that there have to be different strategies in the McLean schools from what it would be in the inner city because motivation is totally different, interests are different.

You know, I don't take a lot of comfort from the fact that we're doing a few simple papers and something around $200,000 is being spent. It seems to me if we're going to spend $250 million that we hope is just trigger money that is going to require States to spend a lot more, we need to know that we're spending it in a way that we're going to get something for our money and that we're going to be able to attack the problem.

Mr. FINN. Well, I agree with that, Senator. That's one of the reasons we're doing the evaluation and recognition of effective school programs that I just mentioned. We will be announcing our list of successful programs and descriptions of them within a couple of weeks actually.

As you know, the vast majority of the drug education money is——

Senator CHILES. How many school programs are you looking at? How many are you going to——

Mr. FINN. The site visitors that went out and actually examined them in the field went to 60 or 70 schools. These schools were selected on the basis of a paper review of a much larger number of nominees from the States. The number of winners to be recognized will be smaller than the 60 or 70, but there will be at least several dozen. These will be exemplary programs in schools that have demonstrated their effectiveness in this regard.

We think this is a very important form of field research where schools that are actually doing a good job of this are displayed before the Nation so that other schools and school systems can do likewise.

I simply want to add that the great bulk of the drug education money is for State and local programs. It's grants to States and localities. The funds for national programs are quite modest, and the research portion of that is what we've been handling in my office.

Mr. CARNES. In 1988 there is slightly less than $230 million available in drug programs. Of that, less than $8 million is available to the Federal Government to use for a whole host of activities that are authorized in the legislation of which this is a piece. So, that little part of Federal money is spread among a number of activities, including the one Dr. Finn has talked about. But the vast bulk of it is distributed by formula to the States.

Senator CHILES. I understand that, but what I'm saying is even if you have $8 million, I would hope you would be spending a lot more than $200,000 of the $8 million trying to do some effective research as to what works.

Mr. CARNES. Well, we are putting $5 million into projects to develop, implement, and disseminate curricula. So, a considerable portion of the funds is going in that area and is designed, we think, to help States spend the funds that they've got.

Mr. FINN. Could I add, Senator, that the Drug Free Schools Act does not have an explicit research authorization in it. As recently reauthorized, it has an evaluation authorization in it, but apparently research is not something that was contemplated in large amount when Congress authorized the basic drug law.

Mr. CARNES. You're not getting a fight from us on this, Senator. I think we agree with the points that you're making. What we're saying is to a certain extent our hands are tied. We're doing what we think is all that we've got the resources to do.

Senator CHILES. Well, the other research money that we provide—I would certainly hope that your priorities would show that a good chunk of that should be going here.

Mr. CARNES. Fair enough.

Senator CHILES. Mr. Finn, I'm particularly interested in your efforts to—well, I would just yield at this point. Senator Weicker?

REHABILITATION SERVICES

Senator WEICKER. Thank you, Mr. Chairman.

Madeleine, the fiscal year 1989 budget request for the rehabilitation basic State grant of $1.4 billion represents an increase of 2 percent, or $27.5 million over the fiscal year 1988 level. Now, as you know, amendments made to the Rehabilitation Act in 1986 set a funding floor for the State grant that ties it to the percentage increase in the consumer price index for the preceding fiscal year. For fiscal year 1989, that increase is 4.5 percent. Your budget request falls short of that amount by $34,487,000. Because this is not a discretionary program, but rather a mandatory program, you're obligated to fund it at the very least at the statutory minimum.

I'd also remind you the entitlement nature of the program was reaffirmed by Congress last year when it exempted rehabilitation from the across-the-board cut imposed on the other discretionary programs in the bill.

Why is the Department requesting an amount that is $34 million below the statutory minimum?

Ms. WILL. Our position is that the rehabilitation program is not an entitlement program. Entitlement programs are programs that are driven by recipient rights to services. They are literally controlled by demand. If the person is deemed eligible, the person has an entitlement to necessary services. And the rehabilitation program is simply not that kind of a program.

The act provides that Congress may not exceed the statutory authorization level to adjust for increases in the CPI, but a level is not mandated. Congress is not required to fund at a particular level.

Senator WEICKER. Yes; but Congress said specifically that it was to be tied to the consumer price index in the amendments that it passed in 1986. So, what do we say about that?

Mr. CARNES. It is our position, Senator Weicker, that notwithstanding the indexing provision—and we certainly grant that it is there—that the law does not establish a mandatory level that we have to include in our budget estimate. This program is more like Pell grants than GSL in the sense that the level of services is governed by the amount of funding rather than the level of funding being driven by the number of entitled recipients. As a consequence, we believe that the 2-percent increase requested will help offset increased costs and provide additional services.

The entitlement and indexed programs were included in Gramm-Rudman. That's quite right. But we do not believe that because the administration signed off on Gramm-Rudman, it conceded that vocational rehabilitation was an entitlement program.

Senator WEICKER. Of course, Congress did go ahead and include the Pell grants in across-the-board cuts, didn't it?

Mr. CARNES. Yes, sir.

Senator WEICKER. There's a pretty clear intention as to what Congress intended here when they did that to Pell grants, but they didn't do that to rehabilitation.

Mr. CARNES. Yes, sir; I believe the reason for that, as much as anything else, was that RSA is current-year funded unlike a number of other programs, and current-year funded programs generally were exempted from the reductions. That was the case in impact aid, for example, which is also not an entitlement, but it was exempted because it was current-year funded.

NUMBERS SERVED BY REHABILITATION BASIC GRANTS

Senator WEICKER. According to the Council of State Administrators of Vocational Rehabilitation, the proposed funding level for the basic grant would result in no increase in the number of disabled individuals who would receive rehabilitation services next year. And I would also note that, while Secretary Bennett 2 days ago indicated that he believed there was a lack of return on our investment in many of the activities supported by the Department of Education, this program is clearly one of the most successful, cost-effective programs funded by the Federal Government. We get $11 returned to the economy for every $1 invested.

If the Department is committed, as stated in your budget justification, to increasing opportunities for disabled Americans, then why are you proposing a budget for rehabilitation that results in a freeze in the number of individuals served?

Ms. WILL. Senator Weicker, I think it's important to talk about the juncture that we're at in terms of developing services in the rehabilitation program. For the past 12 years there has been a downward trend in the number of people rehabilitated despite the fact that in the past several years there has been an actual increase in appropriations in real dollars, not inflated dollars, of about 23 percent.

We think that it is important to try to understand what is causing these trends.

There is one additional fact that I would mention. Just recently, in the last quarter, we did see an increasein the number of people rehabilitated. We don't know whether that's going to be a long-term trend or not. We're hopeful.

Senator WEICKER. Wait a minute. You're saying that we've seen an increase in the dollars spent. Right?

Ms. WILL. Yes.

Senator WEICKER. I think I understand why. There's no mystery about that. Right?

But you've not seen an increase in those rehabilitated. Right?

Ms. WILL. Right.

Senator WEICKER. Well, has it ever occurred to you that usually there's a lead time here that is involved as to spending money and when it shows results?

Ms. WILL. We're speculating about the reasons for the basic stability in the program and the reason you mentioned is certainly one. Lead time is important, also the fact that the States have been altering their management systems. They may be serving more severely disabled individuals. There are a number of reasons that have been presented to us. We simply don't have the answers at this point, but we do believe that the States will serve roughly the same numbers of individuals that they have served in the past.

I would also point out to you that there is a provision in the rehabilitation system which calls for creating orders of selection when a State has more clients asking for admission to a program than it has resources. Only 18 out of 83 agencies have moved to the orders of selection which would I think argue that States are comfortable with the resources that they have.

Senator WEICKER. Well, the States continue to face waiting lists of 20 individuals for every 1 who receives services. There are 20 people waiting for every 1 who is getting services. Now, how are they comfortable with all this? I don't understand.

Ms. WILL. Well, I'm not familiar with that figure. We do know that there are many individuals who require rehabilitation services, and we also know that there is a very large private rehabilitation system which is expanding and available to individuals in need.

Senator WEICKER. And the Council of State Administrators of Vocational Rehabilitation—I have a letter from Paul Zidzick who is the president. And he states:

> The current fiscal year 1988 Federal appropriation level of $1.379 million provides quality vocational rehabilitation services leading to competitive employment to only an estimated 1 in 20 individuals who need and are eligible for these rehabilitation services.

Mr. CARNES. I'd respond to that by making this point that although we can't verify your figure—and I'm somewhat uncertain about the total number of individuals needing rehabilitative services—this program was never designed, so far as we are aware, to be the sole provider of those services. And further, the evidence from the States indicates that the vast majority of States are not arguing to us or requesting or indicating to us that they are unable with their resources to meet the needs of those people who are asking for services. We are providing an increase for the program, and we do think that it will be of assistance.

We know that your position has historically and traditionally differed from us on this, and we accept that view. But we think that our estimates are based on reasonable criteria.

Senator WEICKER. Well, I can only assume I don't think you mean to imply that this organization is not representing the view of the States. This the council of their administrators.

Mr. CARNES. No; I wouldn't imply that they don't represent the view of their States.

Senator WEICKER. I see, OK. Well, for right now I think we'd have to say that what they say probably is better to be believed than what you say.

Mr. CARNES. I would disagree with that.

Senator WEICKER. You're representing your point of view and the point of view of the Secretary, and that's fair enough, just as I would rather hear from your lips what the Secretary or the Department's point of view is than I would from the State administrators. Now, I have the State administrators—a signed letter from their president.

And in that letter it goes on to state that:

> Should the Congress appropriate $1.550 million in fiscal year 1989, the full authorized amount, State agencies will be able to serve an additional 71,000 people with disabilities, a 7.8 percent increase over the previous year. Should the Congress only appropriate the administration's request of $1.4 million, there will be no increase in the number of people served.

Mr. CARNES. That is correct.

Senator WEICKER. Well, what happens to these people? You know, do you feel that there are private institutions and volunteerism out there that is going to go ahead and take up this problem?

You see, that's the reason why I'm coming in on you fellows because you do have such a narrow role. It is a narrow role, but the people that are impacted by your role need help like nobody needs help in this country. How you can sit there and even recognize the fact, no, there won't be any increase in the population served and, indeed, we might cavil over whether it's only 1 in 20 is being served or 1 in 15 is being served or 1 in 10. But the fact is a substantial number are not being served.

Mr. CARNES. By this program?

Senator WEICKER. That's right.

Mr. CARNES. That's correct.

Senator WEICKER. What happens to them?

Mr. CARNES. As we have tried to argue, this program's purpose in our view is not to serve all or even the majority of those individuals, but to supplement efforts that are already underway through other programs, such as workmen's compensation, and other private efforts.

Again, as I said, when we look at the level of demand, we do not sense that there is a compelling requirement to provide for increases above the level of increase that we are recommending.

SPECIAL EDUCATION PERSONNEL DEVELOPMENT

Senator WEICKER. The fiscal year budget proposal for $66 million for special education personnel development represents a freeze at last year's level. These funds are used to ensure not only an adequate supply of such personnel, but also improve the quality of the training they receive.

According to the Department's most recent report to Congress on the education of the Handicapped Act, States indicate that they are facing shortages of over 30,000 teachers and other personnel to provide services to handicapped students. If anything, this shortage is likely to worsen in light of thousands of additional handicapped infants and preschool children being served as a result of the 1986 amendments to the act.

Madeleine, in making the decision to freeze funding for special education training, did you consider the need for additional personnel, particularly in the early intervention area?

Ms. WILL. Yes, Senator; we are aware that there are personnel shortages, particularly in certain specialties and certain localities of the country. We take that into account when we develop our priorities.

But the fact is that it is very difficult with Federal funds to solve the problem of shortages in the long run, sometimes even in the short run. There are so many factors beyond our control that go into decisions that are made about where an individual decides to take employment, that our role is really very limited, and we have very little influence. About 25 percent of people trained to go into special education do not go into teaching at all, and that is one of the frustrating factors that has greater influence than the overall amount of money available at the Federal level.

Senator WEICKER. Well, I think maybe part of the problem there is that people don't go into it because they don't know what you fellows are going to be up to. That's part of the problem. I wouldn't. I would sort of wonder what's going to happen here.

Ms. WILL. I think salaries are too low.

Senator WEICKER. I think they are too.

SPECIAL EDUCATION—EARLY INTERVENTION PERSONNEL

Let me follow up. In response to a question on the subject of last year's hearings, you stated:

> As grant funds become available to States for serving handicapped infants and their families, there is likely to be a greater demand for adequately trained personnel. However, we do not yet have adequate information regarding the extent of participation in the new grant program, the numbers of additional personnel required or the amount of additional training which may be needed for personnel serving this population.

That was your statement last year.

Well, it's now 1 year later. We know the extent of participation in the early intervention program. All 50 States are now receiving funding.

In light of the unanimous decision by States to begin serving handicapped infants and toddlers, what have you done to assess the needs for additional qualified personnel to provide the services to these children?

Ms. WILL. Even before the development of the new statute we had been planning to focus on the development of early intervention specialists and teachers of very young children. We have created more priorities and have announced the availability of funds to prepare these individuals.

There's also an interesting program issue with respect to these teachers. With respect to the birth through 2 population, we hope to create a large cadre of new professionals while we are simultaneously in the process of creating programs and services for these youngsters. There are some interesting questions about how to prepare these teachers, the development of the curricula, and so forth. We've addressed those as well.

SPECIAL EDUCATION—GRANTS FOR INFANTS AND FAMILIES

Senator WEICKER. Are you excited about this early intervention addition to the law?

Ms. WILL. Yes.

Senator WEICKER. A little more enthusiastic than Mr. Bennett who tried to zero fund it?

Ms. WILL. Well, our position was that we weren't ready. We didn't have the information that we needed about the size of the population, the scope of the services, and the issue you mentioned—numbers of personnel. But the law is in place and we want the very best programs to be created for these youngsters. The field is excited and, I think, responding in a marvelous way. And we are excited to work with them.

Senator WEICKER. I think you are. It must be very difficult for you some days working in that Department.

Mr. CARNES. Sometimes it can get difficult up here, too.

Senator WEICKER. There is nothing difficult. There is nothing difficult——

Mr. CARNES. In fact, it's an honor to work in that Department, and I'm glad I'm doing it.

Senator WEICKER. There is nothing difficult about the administration agreeing to this early intervention program to put it into the law and the next year coming around to zero fund it to obviate their agreement. And even now, I believe in the enthusiasm of Ms. Will. I believe in her enthusiasm. I believe in her record. I've got no argument there.

When I see the figures that you're presenting to us, don't tell me about the commitment of this Department to the handicapped of this Nation. The reason why the funding has been there has been because of the Congress of the United States, and the new programs coming into being such as early intervention because of the Congress of the United States.

In the meantime, as I understand the testimony from the other day, the contribution of the Secretary of Education, and I gather you also, is going to be a lightening rod for educational debate. Good. I'm glad it hasn't cost us anything. Thanks to the role that the Congress has played in keeping the eye on the ball.

Senator CHILES. Senator Bumpers?

POSTSECONDARY BLACK ENROLLMENT

Senator BUMPERS. Mr. Chairman, I wanted to ask Ms. Will if she could give us an analysis on why black college enrollment is declining in the country.

Mr. CARNES. Let me hazard an answer to that. Are you talking about elementary and secondary or higher education?

Senator BUMPERS. I'm talking about postsecondary.

Mr. CARNES. Postsecondary education. The most recent evidence from the Bureau of the Census, as of 1986, is that there has been an increase in overall black enrollment in colleges and universities. It is quite true that enrollment in the late 1970's began to go down. In the early 1980's it began to come up. It leveled off in the mid-1980's, and recently the indications are that it is up to within about 30,000 students of its all-time high.

I think I should also point out that Federal programs allow students to take Federal student aid to proprietary institutions. That's for-profit training, vocational, and technical institutions. The census data generally do not report enrollments in those institutions. As best as we can tell from the data that we've got, there has been a sizable increase in the enrollment of black students in postsecondary training and vocational proprietary institutions. If you factor in the enrollment of black students in those schools, enrollment is, indeed, in postsecondary schools at an all-time high, and it is going up.

Senator BUMPERS. Well, Mr. Carnes, that's gratifying, but you're including proprietary institutions——

Mr. CARNES. Yes; I am, sir.

Senator BUMPERS [continuing]. And vocational education.

Mr. CARNES. Yes. sir.

Senator BUMPERS. And when I say postsecondary, I'm really talking about 2-year and 4-year colleges and universities.

What is happening to the enrollment figures in those schools?

Mr. CARNES. As I said a second ago, those enrollment trends in the late 1970's began to go down. They came back up in the early 1980's, leveled off, and have recently shown another increase.

In addition, I think you probably are aware of a number of reports that applications from black students for enrollment in colleges this fall are at an all-time high. Colleges and universities throughout the country report a tremendous increase in the volume of applications.

Senator BUMPERS. What is the percentage of black enrollment?

Mr. CARNES. The percentage of black enrollment varies from school to school, but I think it is in the neighborhood of around 9 percent——

Senator BUMPERS. No; I'm talking about national enrollment figures. Don't you have national figures?

Mr. CARNES. I believe it is 9 percent.

Senator BUMPERS. Pardon?

Mr. CARNES. I said 9 percent of the students in college and universities are black.

Senator BUMPERS. I've never heard a figure nearly that high. I've always heard that it was between 5 and 6 percent.

Mr. CARNES. That's the figure I hear at certain universities. That's correct.

Senator BUMPERS. But you're telling me that nationwide in postsecondary education, not counting proprietary and vocational education, 9 plus percent of students are black?

Mr. CARNES. Well, that is my recollection. As I say, I haven't got that figure in front of me right now. I'll be happy to provide it for you.

Senator BUMPERS. When you talk about the increase, the figures I've seen are like one-tenth of 1 percent increase. I was going to ask you if the Department of Education was doing anything to rectify the problem. And, obviously, if you are as happy as a clam with the enrollments, you're not doing anything.

Mr. CARNES. Well, what we are doing is recommending an increase of $751 million in Pell grants and an increase of $100 in the maximum grant available. We're recommending that this big increase in student aid be targeted to the lowest income students. Already we know that almost one-half of the black students in college get Federal student aid, and we're proposing a big increase there.

[The information follows:]

POSTSECONDARY BLACK ENROLLMENT

As indicated in the following chart, the percentage of black enrollment at all institutions excluding proprietary schools in 1986 was 8.6 percent. (1,081 divided by 12,501 equals 8.6 percent.)

TOTAL ENROLLMENT IN INSTITUTIONS OF HIGHER EDUCATION, BY TYPE OF INSTITUTION AND RACE/ETHNICITY OF STUDENT: BIENNIALLY, FALL 1978 TO FALL 1986

[Amounts in thousands]

Type of institution and race/ethnicity of student	1978	1980	1982	1984	1986
All colleges and universities	11,231	12,087	12,388	12,235	12,501
White, non-Hispanic	9,194	9,833	9,997	9,815	9,914
Total minority	1,784	1,949	2,059	2,085	2,243
Black, non-Hispanic	1,054	1,107	1,101	1,076	1,081
Hispanic	417	472	519	535	624
Asian or Pacific Islander	235	286	351	390	448
American Indian/Alaskan Native	78	84	88	84	90
Nonresident aliens	253	305	332	335	344

Source: U.S. Department of Education, Center for Education Statistics, higher education general information system and integrated postsecondary education data system.

TEACHER TRAINING AND CERTIFICATION

Senator BUMPERS. Let me ask you an additional question. I'm sorry I couldn't be here for yesterday's hearing on elementary and secondary education, but if there's anybody here that could be of assistance to me on this——

Mr. CARNES. Well, I'll try that one too, Senator.

Senator BUMPERS. The report, "A Nation at Risk," still troubles me. That report is 5 years old, and it seems to me our response so far has been mostly rhetorical. If we are to believe the statistics in "A Nation at Risk"—that our 9 and 14 year olds finished last in a United Nations survey on knowledge of global studies action is necessary. My question is what are we going to do, No. 1, for continuing education for the present cadre of about 2.2 million elementary and secondary teachers in this country. And second, what are we going to do to attract top college students to elementary and secondary education?

You and I know that many colleges and universities in the country have had big turf fights to make sure they maintain their college of education. And so, there has been a big fight to get more and more people enrolled into the colleges of education. Many colleges of education do an excellent job, but quite frankly, there have been too many cases in this country where teachers graduated with a degree in elementary or secondary education and went out to teach literature when all their college courses were a bunch of education courses.

My wife is the authority on this because she happens to be a teacher. Many of the college courses she took on how to grade papers and learn how to grade on the curve and all those things were utterly worthless to her as a teacher. And so, we turn out school teachers who are not prepared to teach the particular subject they are teaching. And they may know how to grade papers and they know how to handle disciplinary problems and all those other things they learn in the college of education, but they're not all that well-schooled in what they're teaching.

Is that a fair assessment or not?

Mr. CARNES. I couldn't agree with you more.

Senator BUMPERS. Well, what are we going to do then to address the problem? I hear a lot of talk about it, but I don't see much action.

Mr. CARNES. You see some action, but you don't see a whole lot. You see some action in New Jersey. You see some action in South Carolina. You see it in a number of places, but it's all too isolated. And a lot of it has to do—you're absolutely right—with certification requirements.

There are too many States that have a lock on admission into teaching. Just as you described, you can't get in the door unless you've got a teaching certificate. A person who has training in the liberal arts or the sciences, but does not have a teaching certificate, will not be permitted to teach. You're absolutely right.

The Secretary points out there is something wrong with a system where people, having been taxed to pay for public schools, will also spend $5,000 to $6,000 to send their children to a private school where a teaching certificate may not be required. That's a comment I think on certification requirements.

What we've tried to do is to help promote alternative certification. We've tried to encourage State legislatures to broaden the pool of——

Senator BUMPERS. Incidentally, we're a leader in that. We're doing a great job in our State. We have new educational standards in our State that are just dynamite. It's all those other 49 States I'm worried about. [Laughter.]

Mr. Carnes. You are right. And there have been a number of recent reports that have advocated that more content training should be a requirement for teaching. Unfortunately, all too often that just lengthens the process and somebody is still going to have to pick up that teacher certificate.

Now, we've requested $8 million in the fund for the improvement and reform of schools and teaching for grants for schools and teachers, and one of our priorities will be to address this question. Again, we don't certify teachers. We don't hire them. These are State requirements, and there are obviously very powerful forces out there that have a lock on the process. In many places, it's just basically a closed shop.

TEACHER TRAINING IN CITIZENSHIP

Senator Bumpers. Well, let me make this observation. I have a bill I tried to get passed the last Congress. And the budget constraints around here are pretty tough. We have no problem getting $5 billion for SDI which will never be deployed, which is the craziest, cockamamie scheme that anybody ever came up with, while we are raising a nation of illiterates and can't get $50 million even for an embryonic study in such things as citizenship.

But let me just ask you this question. There are two things that are happening here. No. 1, you have "A Nation at Risk" which alarms every thoughtful person in the country. Second, you have the sudden knowledge that the Japanese are eating our lunch technologically. So, you have two problems.

In response to the Japanese challenge, everybody at the postsecondary level is rushing headlong to put all their money into sciences, electronics, and engineering so that we can regain our technological edge. Now, I'm all for that, but that also concerns me. Now, some universities and colleges in this country recognize that imbalance and try to correct it by requiring a certain number of hours in the humanities. Mortimer Adler, a scholar of some note, says that no child ought to be allowed to graduate from high school and certainly not from college until they have read the "Preamble to the Constitution," the "Constitution," "DeToqueville's Democracy in America," and the "Gettysburg Address."

I delivered the commencement address to the University of North Carolina Sunday morning, a very exhilarating experience, and I used that illustration. And I wouldn't dare ask how many in the audience had read those. If you made that same statement at Harvard, I would also be reluctant to ask the students to hold up their hands.

But all I'm saying is in our headlong dash to regain the so-called competitive edge over Japan technologically, we are neglecting our responsibilities to teach our youngsters their duties as American citizens. I think it's dangerous to the political process to allow children to graduate knowing all about the genetics of apples and oranges, but not knowing anything about the Constitution.

Now, question the bill I started to mention a moment ago is one that would carry forward in an expanded way what the Mellon Foundation and the National Endowment for the Humanities have been doing for the last several years in these kind of crash courses in the summer for elementary and secondary teachers. Now, I got on to this back when the University of Texas ran one of first of these seminars. When the University of Texas announced the seminar, they had hundreds of elementary and secondary teachers sign up for a handful of slots. So, you can't say teachers aren't eager to learn.

But the National Endowment for the Humanities support for these seminars is very limited. I mean, all it can do is meet a fraction of the demand. What I wanted to do was to get the Federal Government involved in something that I thought was really basic to the political process.

We have about 10 percent of our 18- to 24-year olds voting. You see on the evening news kids in Korea are willing to die for the right to vote. People in the Philippines die for the right to vote, and only 10 percent of our 18- to 25-year olds are even bothering to exercise the most precious right they have.

Would you favor my bill?

Mr. CARNES. Yes; I would.

Senator BUMPERS. Would you be willing to take $50 million out of SDI to do it?

Mr. CARNES. I'm not going to respond to that question, but I would offer this point——

Senator BUMPERS. You wouldn't respond to that question?

Mr. CARNES [continuing]. That Secretary Bennett and I started that program that you described at the National Endowment for the Humanities, and we proposed a very similar, almost identical program in our budget proposals for 1987 and 1988. We were not successful in getting it implemented. We think the idea is a wonderful idea. We've seen it work. We know exactly what you're talking about. We favor that tremendously.

STATE STUDENT INCENTIVE GRANTS

Senator BUMPERS. That is really pleasing to hear.

You're proposing to eliminate funding for the State Student Incentive Grants Program. And you say it has met its original purpose. The education department in my State says that is a very good program and ought to be continue. You say that it has met its original purpose of encouraging States to establish their own postsecondary student grant programs.

Didn't you propose to eliminate this last year?

Mr. CARNES. Not only did we, but so did the previous Secretary. And, indeed, previous administrations have proposed to eliminate the SSIG Program. It is greatly over-matched in the States.

There's an article that I read recently in the Chronicle of Higher Education where the director of research and policy analysis for the

Pennsylvania Higher Education Assistance Foundation said that what has been happening in the later years in this program is that States have seen that Congress is going to keep the administration from backing down from the SSIG Program. So, the States figure they can back off a little bit. So, this analysis argues that, in fact, the program is actually having maybe the opposite effect of what was intended. In any case, the program is on a national level greatly over-matched.

Senator BUMPERS. The Student Incentive Grant Program generates a lot of money at the State level. And my people tell me that you generate a lot of State money for a very small contribution at the Federal level.

Mr. CARNES. That's correct.

Senator BUMPERS. And what they're concerned about is that people are going to lose interest if there isn't at least a kind of a challenge grant involved in it. But having said that, let me ask you another question.

And Mr. Chairman, I will finish. I know you have to sit here after the rest of us are gone.

FUNDING A HUMANITIES CURRICULUM

At the postsecondary level, would you favor a significant Federal contribution to encourage every college and university in the country to require a certain number of hours in the humanities, the fine arts, and the performing arts? And if you wouldn't, how are you going to teach people a little bit about the quality of life instead of just the genetics of apples and oranges?

Mr. CARNES. No; I guess I probably wouldn't favor that even though I have a Ph.D. in English, I was an English professor, and I believe in the humanities. I just am not convinced that the Federal Government ought to——

Senator BUMPERS. I think you're taking an ideological Government hands-off policy on that.

Mr. CARNES. That's correct. I am taking that position.

Senator BUMPERS. You see, that's where this administration and I have such strong differences. They think Government is evil, bad, ought not to be involved in anything. I happen to think there are national overriding issues that you cannot trust—I'm not saying you can't trust, but you cannot take the risk of just allowing people to do it if they feel like it.

Why wouldn't we be involved in a program like that?

Mr. CARNES. I think those curriculum requirements ought to exist. I'm just not at all convinced that the Federal Government ought to make those requirements. I think curriculum requirements ought to be determined by the States. The public university system is governed by the States, and I think they're the appropriate ones to dictate curriculum requirements—if any dictation is going to go on—rather than us.

Senator BUMPERS. But you see, what you're doing is you're saying everything is just jakey now. And if they feel like changing it and trying to address the critical problems, that's fine; but if they don't, the Government doesn't have any role to try to do anything about it.

Mr. CARNES. No; that's not what I'm saying. I agree with you. Dr. Finn has recently published a book that bears out the fact that people are appallingly unaware even of when the Civil War occurred or who was President then, or who Churchill was.

Senator CHILES. The what? Do you mean the War between the States? [Laughter.]

Senator BUMPERS. We're going to have to send him back to school. [Laughter.]

Mr. FINN. Maybe that's why their scores were so low. [Laughter.]

Senator BUMPERS. Go ahead.

Mr. CARNES. Well, I'm finished with my answer on that.

Senator BUMPERS. You know, just as a final thing—and we all have a tendency around here to relate to things that are personal in our lives. I happen to be a product of devoted parents and an outstanding high school English teacher. I would never have been Governor, Senator or anything else if it hadn't been for a good English teacher, who not only inspired me, but taught me to write and speak.

But you know, interestingly my daughter graduated 3 years ago from one of those chi-chi liberal arts schools. And she told me that the banks in New York took virtually every English major in her senior class. And I asked, "Why on Earth would banks hire English majors?" And she said because they say they can teach anybody to bank, but they can't teach anybody to write a complete sentence.

And you see, that's what I'm talking about, and you know what I'm talking about. People apply for jobs in my office with master's degrees and you ask them to write something for you, and it's just almost unfathomable at times.

Well, we agree. We just disagree on how we would approach the solutions.

Mr. CARNES. We agree on where we ought to go.

Senator BUMPERS. Thank you, Mr. Chairman. I have a couple of questions. I'll submit them in writing.

Senator WEICKER. Let me just ask, Senator Bumpers. Do you believe there ought to be a Department of Education?

Mr. CARNES. Do I believe that there ought to be? Do I believe that it's necessary?

Senator WEICKER. Yes; do you believe it's necessary?

Mr. CARNES. No.

Senator WEICKER. So, you believe in Secretary Bennett. So, there's your answer, Senator Bumpers. He doesn't even believe the Department of Education is necessary. These are the people that are charged with the responsibility of education.

Mr. CARNES. This is an echo of a conversation that occurred a couple of days ago.

Senator BUMPERS. You know, I spoke to the honors class at the University of Arkansas business school graduation last year, and I said essentially what I just got through saying a while ago. And I walked into a real buzz saw. They took unkindly to that, and I understand it because they assumed I was denigrating their business degrees, and I didn't really intend it that way at all.

However, I will say this. There are colleges and universities in this country that now require a liberal arts degree before you go into business. And you get your master's degree in business. I'm not saying that's right or wrong, but I'm saying I like it.

Thank you, Mr. Chairman.

Senator CHILES. Senator Bumpers, I would sure hate to hear you talk if you hadn't had a good English teacher. [Laughter.]

SPECIAL EDUCATION—PRESCHOOL BONUS PAYMENTS

Ms. Will, the Department's lack of enthusiasm for the Preschool Handicapped Grant Program was pretty clear in last year's budget. There was a 50-percent cut from the previous year, but this year you've asked for a modest increase in the funding. But you're proposing to withhold the bonus payment from children who are entering the program for the first time until the final child counts are made.

Isn't that going to have the same effect as last year? Are the States going to go out there and add teachers or add on the basis that you're not going to give them the money till the end of the process?

Ms. WILL. No, Senator; that proposal is really an attempt to come up with a different mechanism for reimbursing the States. The mechanism that we have now is very faulty, very cumbersome, and very difficult, especially for the States. We are funding on the basis of estimates, on projected numbers of children. And we are going to see States in the position of having to have awards reduced because they've overcounted.

Senator CHILES. Well, can't we change that process but still have the money go out at the beginning of the year rather than at the end?

Ms. WILL. Well, we would like to very much. We don't have any other alternative, and we'd love to work with the committee to find some others. But, no, it is very difficult.

Senator CHILES. Well, we forward fund most of our programs. I can't understand why we're dealing with this one differently.

Ms. WILL. We have to wait until the estimates are submitted before we can make awards.

Mr. CARNES. This is the same problem that we discussed yesterday in impact aid where you start with estimates. You make allocations on the basis of the estimates, then you have to go back and adjust the allocations later after you get the actual data. As I pointed out with respect to impact aid, this is one of the principal reasons why there is a lot of confusion, if not chaos, in certain cases in that program. What we're proposing is basing the payments on actual counts rather than on estimates which require readjusting. With estimates, a State's level will bounce around not only from year to year.

Senator CHILES. Well, I have a number of other questions, but I will submit those for the record.

Senator Weicker?

FIELD-INITIATED RESEARCH

Senator WEICKER. Dr. Finn, in your testimony you complained that our funding of your agency only provides you with a tiny sum to support unsolicited grants for individual researchers. As I understand it, that so-called tiny sum is $500,000 in fiscal year 1988, and you say you want us to double that amount next year. And I'm wondering why.

Allow me to quote your own words back to you. You wrote in an educational journal that you personally read one-tenth of the applications you got in your last unsolicited grants competition. Here's what you had to say about them.

> I must report that many of these proposals are burdened with skimpy plans, fat budgets, dubious experiments, worn out hypotheses, disorganized writing, missing information, and ungeneralizable results. But the most amenable shortcoming was that so many dealt with matters so esoteric, so minuscule that they would benefit only a handful of people assuming, of course, that they succeeded in doing what they proposed.

Based on the assessment of the proposals received thus far, why would you want to double the amount for such research?

Mr. FINN. That's a fair question, Senator.

One of our jobs is to tell our own field what we think about what they're doing, and the education research field has not been without inadequacies in its conceptualization and its methodologies of what it has gone about.

You're quoting from a speech I gave to the American Educational Research Association about 1 year ago which was then printed in their journal together with a fairly pointed rejoinder by the association's leadership which, of course, didn't agree with me at all. And I was pointing out that there is a lot to be done better in research than is being done today, but let me also point out——

Senator WEICKER. I'm not disputing any of this. I just want to know why you want to double the amount that you're requesting of this committee since you have had such an unsatisfactory experience.

Mr. FINN. I'm getting there. We had several hundred proposals in that competition. They were peer reviewed, as you have periodically reminded us to do. And about 40 of them were found to be satisfactory and fundable and, indeed, very good, worth funding. Of the 40, we had funds to pay for about 10. This means that of the good ones that we received, we were able to support fewer than one-quarter. And there were good ones. And we've had good ones each year we've had the unsolicited or field-initiated grants competition.

It closes again by coincidence tomorrow for the fiscal year 1988 competition, and I expect we'll again have a couple of hundred proposals of which I expect 30 or 40 will be first rate. I believe that we should be able to fund a larger fraction of the first-rate ones than we are currently able to fund.

Senator WEICKER. Maybe when you go making speeches around the country, you can talk about the first-rate proposals that are sent to you rather than just to go ahead and lament as to what was bad. And I'm sure there is bad in every offering by any particular group. Now, maybe the headlines come with saying how bad it is but, on the other hand, you're here saying that there are very good proposals made and you think that more of them ought to be funded. And I probably think I would agree with you on that point.

Mr. FINN. I take your point. I try to talk about both the bad and the good. Our testimony today talks about the good. That speech—you are correct—talked mainly about the bad.

LIBRARY PROGRAMS

Senator WEICKER. For the first time in seven consecutive budgets we see your request for library funding, although at a level which is 44 percent below the fiscal year 1988 appropriation.

And I understand you also seek to restructure the library programs legislatively. How did you arrive at the $76 million funding level for libraries?

Mr. FINN. Well, Senator, we developed, as you just noted, a whole new legislative proposal, a new authorization package for the entire field of library programs, and it has three titles. As you note from the materials in front of you, for title I we propose $45 million, which we think is an appropriate sum to improve library services for disadvantaged and handicapped individuals.

Senator WEICKER. This is the one that you've been asking zero funding for for the last several years.

Mr. FINN. Sir, this is a new program we're proposing.

Senator WEICKER. You have asked zero funding for access programs to libraries for the last several years. Am I correct?

Mr. FINN. Well, Senator, the general access has been provided, and we're seeking——

Senator WEICKER. I'm talking about the access programs for those that are retarded, disabled, et cetera. You've asked for zero funding. Is that correct?

Mr. FINN. We have in the past sought zero funding for title I of the current Library Services and Construction Act. That is correct.

For title II of our new proposal, we are seeking $30 million for interlibrary and interstate networking. And for title III, we are seeking $1 million for research, statistics, and assessment in the libraries field.

We feel that in each of these categories this is an appropriate sum of money for carrying out the purposes that we have suggested are appropriate Federal purposes in this field. And we still hope Congress will consider seriously our new proposals.

Senator WEICKER. If Congress does consider your proposals, how are the States and other library programs going to compensate for the 44-percent cut in funding of services?

Mr. FINN. Senator, as you know, the Federal assistance to libraries currently comprises about 3 percent of their income. So, the reduction that you're describing translates to about 1.3 percent of their income.

We believe, given the rate of increase in State and local library funding, that it will not be a difficult matter to compensate for what is, in fact, a very tiny reduction.

Senator WEICKER. Well, if I follow your reasoning to its logical conclusion, indeed, the Federal contribution to education is only 6 percent of the total. So, if I follow this type of reasoning, we can sort of get out of that 6 percent, and it really is a very small amount that is involved.

You know, as well as I do, that the Federal role in libraries, just like the Federal role in the rest of education, is a very targeted, special role to those persons who normally might not have access to libraries, et cetera, et cetera.

Mr. FINN. Senator, if that were the case, we wouldn't be having this discussion. The current law is one of the most untargeted pieces of legislation that has ever been enacted, and we are proposing a targeted piece of legislation.

Senator WEICKER. At a 44-percent reduction.

Mr. FINN. Yes, sir.

Senator WEICKER. I have further questions. Wait a minute. I'm sorry. One thing, Mr. Chairman.

Senator Inouye has asked me to express his appreciation to you, Madeleine, for continuing the Pacific Basins research and training center, and he feels very strongly about that and wanted to be made known at these hearings.

Mr. Chairman, I do have further questions for the record.

Senator CHILES. Senator Bumpers.

INTERNAL REVENUE SERVICE OFFSET PROGRAM

Senator BUMPERS. Mr. Chairman, I wanted to ask somebody—and I'm not sure who—how the collection of defaulted loans is coming under the IRS program where we withhold tax refunds from defaulters.

Mr. CARNES. In 1987 we collected $137 million through that IRS offset. In the 2 years that we ran the program we collected about double that amount of money. What we expect to happen, though, is that since that authority is going to expire at the end of June, we won't be able to collect any further using the IRS offset.

In addition, I should point out we will expect collections from that program to drop because of the changes in the tax law. We think that actually the number of dollars we're going to collect is going to go down because if people fill out their W-4 forms correctly, they're not getting refunds, or they're not getting very sizable refunds. So, we think offsets may actually decrease.

But it's still a tool that we think we ought to have. We hope that Congress will go ahead and reauthorize authority for that.

Mr. WHITEHEAD. Senator, if I can just add to what my colleague said, last week was the best week in history on that. We went through 26,000 defaulters, and they were offset on their income tax to the tune of about $14 million last week. And I guess that's because all of the tax returns are coming through now.

Senator BUMPERS. That is quite a week, isn't it?

PERCENTAGE OF BLACKS ENROLLED IN COLLEGE

One other question. I've got an article here from the New York Times that says—and this is a poll that the Census Bureau apparently does each year. They interviewed 58,000 households on things such as number of blacks graduating from high school. Did you see that story? It was back in December.

Mr. CARNES. Yes; I've seen that.

Senator BUMPERS. And I'll just read this into the record and not put the whole thing in, Mr. Chairman. It says:

> Educators have expressed alarm about past findings from those surveys. It found a drop in the percentage of black high school graduates 18 to 24 years old who are enrolled in college. The percentage of blacks enrolled in college fell to 26.1 percent in 1985 down from 33.5 percent in 1976.

That figure ought to be rather alarming to all of us.

Mr. CARNES. Yes; it is, but I would like to respond to it. There was also an article in the New York Times just a couple of days ago reporting a recent Census Bureau publication. But the point I'd make about this is—you're right—the percentage has fallen.

But there are two sides to this coin. The reason the percentage has fallen is because the graduation rate from high school has gone up so much. Previously, the dropout rate for blacks in high school was much higher than it is now. In the period which that survey covers, the dropout rate declined for blacks nationwide. More black kids are now finishing high school, but they're not going to college, so they increase the base against which the percentage of blacks enrolling in college is calculated. Formerly they weren't in the arithmetic because they had dropped out.

Well, we've gotten them through high school. That's a success story. We've got to get more of them through high school and we've got to get more of them into postsecondary schooling as well.

Senator BUMPERS. Do you know what the dropout rate in Detroit is?

Mr. CARNES. I think it's between 40 and 50 percent.

Senator BUMPERS. It's 70 percent. It's a national scandal, not just Detroit, but there are a lot of other cities.

What is the national dropout rate right now?

Mr. CARNES. It's 27 percent.

Senator CHILES. Ask him what it is in Japan.

Mr. CARNES. I don't know what it is in Japan.

Senator BUMPERS. I'll tell you. It's 2 percent.

Our President likes to talk about family values. I'll tell you. The Japanese have a family value, and that is the day a child crawls out of his mother's womb, he is taught that he must excel——

Mr. CARNES. Right.

Senator BUMPERS [continuing]. Because they don't have any natural resources. They have to import raw material, refine it, turn it into a finished product, send it back out into world commerce and still be competitive. So, you talk about a family value. That's a value we used to have. When I was growing up, it was a family value. There was no snob value in being poor. Everybody in town was poor. But I'll tell you one thing. Our parents—all of us—were taught that we had to excel. And now I don't know what it is. We could talk about this all day, of course, and I don't want to belabor the point. But, obviously, there is a family value that I strongly believe in that we've lost in this country to a large degree.

Mr. CARNES. I agree. Last night I heard a speech by John Akers who is the chairman of IBM. He was saying many of the things that you have said today, Senator, and he was talking about Japan as well and their educational system. He spent a lot of time in Japan, and as he looks at Japanese workers and Japanese families and Japanese society generally, he has come to the conclusion that Japanese students and Japanese teachers simply work harder than we do.

Senator BUMPERS. Well, I don't quarrel with that. But what does that mean? That means we need to work harder, doesn't it?

Mr. CARNES. Yes; it does.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator BUMPERS. Thank you, Mr. Chairman.

Senator CHILES. Thank you, sir.

We'll have some other questions for the record. We thank you for your appearance here.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

EDUCATION FOR THE HANDICAPPED

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

HANDICAPPED DROPOUT RATES

Question: I understand that the Department's most recent annual report to Congress on special education indicates that the dropout rate among handicapped students is considerably higher than the rate for nonhandicapped students (26-37 percent versus 14-18 percent) and that it appears to be increasing. What explanations can you offer for this distressing trend, and what is the Department doing to counteract it?

Answer: The high dropout rate among handicapped students is attributable to many factors. Many handicapped students experience difficulty performing in school. They are more likely to repeat grades or be transferred to other schools. Grade repetition and transfers are powerful predictors of dropouts. Increases in requirements for high school graduation may also encourage students who already experience difficulty with school to drop out.

The Department recognizes the importance of reducing the high dropout rate. In addition to collecting State-reported data on handicapped dropouts, a longitudinal study that is under way will obtain data on the personal and family characteristics of dropouts, as well as information on the school, work, and independent living experiences of dropouts.

Further, the Secondary and Transitional Services program is currently funding a series of model demonstration projects to help retain potential dropouts and return to school those who have already dropped out.

LEARNING DISABLED

Question: I understand that the proportion of children served in special education programs who are categorized as "learning disabled" is increasing each year, so that now almost half of all special education students are in this category.

How do you explain this increase -- is it legitimate or are schools applying the label of "learning disabled" too liberally? In your view, does this divert resources from more severely handicapped students?

Answer: There have been continuing increases in the number of children identified as learning disabled under the Education of the Handicapped Act and the Chapter 1 Handicapped program. The greatest growth occurred between the 1976-77 and the 1983-84 school years. During those seven years, the number of children identified as learning disabled increased by a total of 127 percent. In the past few years, the rate of increase has slowed, ranging from a low of 1.5 percent in the 1984-85 school year to a high of 2.9 percent in the 1986-87 school year. In the 1986-87 school year, learning disabled children represented about 44 percent of all handicapped children served, and 46 percent of those served under the Education of the Handicapped Act.

We do not know why there has been a continuing increase in the number of children identified as learning disabled. There are probably a number of reasons for this growth, including the incentive provided States by P.L. 94-142, which specifically cites learning disability as a handicapping condition, to identify and serve these children. We have no information suggesting that schools are identifying learning disabled children inappropriately.

We do not believe that increases in the number of learning disabled students divert resources from more severely handicapped students. Under the Education of the Handicapped Act, States must provide all handicapped children, including the severely handicapped, with the special education and related services they need. We believe that, in general, States are doing a good job of meeting the needs of all handicapped children.

HANDICAPPED MINORITIES

Question: I also understand that minorities are disproportionately represented among special education students. Again, is this legitimate or does it represent some underlying discrimination in the labelling of children?

Answer: The Office of Special Education and Rehabilitative Services does not collect data on minority representation in special education. These data are collected by the Office for Civil Rights (OCR) in its biennial survey of elementary and secondary schools. The 1986 OCR survey found that the representation of minorities in special education programs correlated with increases in minority enrollment. For example, in schools with minority enrollments of 20 percent or less, minorities represented 9 percent of all special education students; in schools with minority enrollments of 40-60 percent, they represented 52 percent of all special education students; and in schools with minority enrollments of 60-80 percent, they represented 68 percent of all special education students. Although discrimination may be an issue in some schools, we have no evidence to indicate that, in general, the identification of minorities as special education students is based upon discriminatory factors.

HANDICAPPED MAINSTREAMING

Question: It seems as if the debate about the best way to educate handicapped children has been heating up over the last few months. Some advocates have gone so far as to suggest abolishing the notion of "special education" altogether and placing handicapped children in standard classrooms for 100 percent of their education.

I know this issue is very controversial. Can you tell us what research the Department is doing to shed more light on the merits of this kind of "mainstreaming" of handicapped students?

Answer: Our research does not indicate that the elimination of special education and placement in standard classrooms is in the best interest of all handicapped children. However, we do believe that much can be done to increase the flexibility of regular classrooms in educating children with learning problems including handicapping conditions. Our research suggests that it is possible to provide more special education in standard classrooms and that more flexible regular education approaches can reduce the need to classify children as handicapped.

HANDICAPPED MONITORING

Question: The latest annual national report on programs for students with disabilities indicates that many States are still having problems complying with some of the requirements of the Education of the Handicapped Act, such as the placement of students in the least restrictive environment. Your budget justification indicates that you conducted 11 compliance reviews in 1987 to identify problems like this and provide technical assistance to States. How does this number of reviews compare to the total in prior years and your 1989 projection?

Answer: The 11 monitoring visits we made in 1987 were four more than the number made in 1985 and one less than the number made in 1986. We expect to make 11 visits in 1988 and 12 in 1989. We project, therefore, that by the end of fiscal year 1989 we will have completed our current cycle of monitoring visits to the 50 States, the District of Columbia, Puerto Rico, and the Bureau of Indian Affairs.

Question: What funding level and how many FTE does your budget request assume for State compliance reviews in 1989?

Answer: Our budget request assumes $613,000 to cover 19 full-time equivalent (FTE) staff for State compliance reviews in 1989.

Question: Wouldn't it make sense to increase resources in this area if States are still having significant problems meeting the requirements of the Education of the Handicapped Act?

Answer: We believe that the current monitoring staff is adequate. Also, in addition to monitoring, we provide substantial technical assistance to States through our Special Purpose Funds activities. These include technical assistance provided under Regional Resource Centers, Early Childhood Education, Special Studies, Deaf-Blind Projects, and other activities.

DEAF-BLIND AND OTHER SEVERELY HANDICAPPED PROJECTS

Question: If your legislation to merge the Deaf-Blind and Severely Handicapped Projects becomes law, would you anticipate funding fewer deaf-blind centers (once their contracts expire) and using more funds for projects for other severely handicapped students?

Answer: We do not anticipate funding fewer deaf-blind centers or funding more projects for other severely handicapped students.

We expect that the legislative merger will promote more projects that serve the needs of both groups at the same time.

HANDICAPPED SECONDARY AND TRANSITIONAL SERVICES

Question: Please provide information on the proportion of currently funded demonstration projects for secondary and transition services that focus on each of the following: transition to work, transition to other federally supported programs, transition to postsecondary education.

Answer: Projects often have overlapping purposes. The majority of the 54 projects funded in this program are preparing handicapped youth to live and work in their communities. Twenty-four projects report that they are cooperating with other agencies and organizations. Seventeen projects have reported that they are working with administrative entities established under the Job Training Partnership Act. State vocational rehabilitation agencies participate in a majority of the projects. Approximately half of the projects report collaboration with community colleges and nine report cooperation with universities and other four-year colleges.

Question: What proportion of the current secondary and transitional demonstration projects is directed at the development of services for handicapped students who have left school? Are there any projects that deal with the problems of handicapped students who are high school dropouts?

Answer: All currently funded projects are directed to include youth who have recently left school along with those who are in school. There are no projects which focus exclusively on students who have already left school.

CLOSED CAPTIONING DECODERS

Question: The budget justifications state that additional subsidies for production of decoders for closed captioning for the deaf aren't needed because of the extensive inventory of unsold units. What is the size of the inventory? How many additional units are to be produced in 1988?

Answer: Of the 33,000 decoder modules manufactured by the National Captioning Institute (NCI) under a Federal grant awarded in fiscal year 1986, approximately 31,000 have been made available to consumers and retailers. There are approximately 2,000 modules in inventory at this time. Production of an additional 50,000 third generation units began in May 1988.

QUESTIONS SUBMITTED BY SENATOR LOWELL P. WEICKER, JR.

EDUCATION OF THE DEAF

Question: I don't have to tell you about the recommendations of the Commission on the Education of the Deaf which show that deaf education is suffering from severe deficiency. Over 70 percent of deaf high school graduates cannot read above the third grade level. Captioning services have a great impact on facilitating the acquisition of the English language. The Administration proposes level funding for media and captioning services and for postsecondary programs which affect deaf persons. Due to inflation, level funding levels actually represent funding decreases. Do you agree that we must improve the quality of deaf education in this country?

Answer: Yes, we must improve the quality of education for deaf and other handicapped children in this country. For that reason, we are addressing the problem of illiteracy among persons who are deaf or hard of hearing. Currently, we are planning to hold a conference to address the problem and develop a set of recommendations for the Department to consider. For fiscal years 1989 and 1990 our priorities are also expected to include the support of projects to alleviate problems posed by illiteracy among persons who are deaf or hard of hearing.

REHABILITATION SERVICES AND HANDICAPPED RESEARCH

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

PRIVATE SECTOR REHABILITATIVE SERVICES

Question: Mrs. Will, you estimate that State vocational rehabilitation agencies will serve slightly more than 900,000 clients in 1989, a total which has been declining in recent years.

I understand that there has been a dramatic increase in the growth of private, for-profit rehabilitation facilities, which serve many of those who become disabled as a result of work-related injuries.

What proportion of the total disabled population do State rehabilitation agencies serve?

Answer: The Education Department does not collect data on the total number of disabled persons. According to the 1982 Current Population Survey done by the Census Bureau, some 13 million persons, 16 to 64 years old, are reported to have a work disability. Although having a work disability may not qualify a person to meet the eligibility requirements of the Vocational Rehabilitation Program, we can attempt to estimate the number of persons from this population who might be eligible for these services. Of the 13 million disabled persons, 2 million are able to work year-round and full-time and would not appear to be in need of the services offered by the State vocational rehabilitation agencies. Of the remaining 11 million persons, 4.5 million are 55 to 64 years old and, as a group, may be only marginally interested in employment. Thus, the number of persons, having those characteristics which may make them eligible to receive services in the program may range roughly between four to six million. State vocational rehabilitation agencies served 917,482 persons in fiscal year 1987, which we believe, is a significant portion of the potential eligible disabled population. As we have pointed out, this program is by no means the sole provider of rehabilitation services to persons with disabilities. In addition, financial incentives and disincentives built into a variety of public assistance as well as public and private insurance programs appear to play a very large role in a disabled person's decision to participate in any particular rehabilitation program and in the extent of that participation.

Question: Is the rise of private for-profits facilities partially responsible for declines in State agency caseloads? How do the for-profits differ from State agencies in terms of clients and services provided?

Answer: Our judgment is that the work of private rehabilitation agencies and facilities has had no appreciable effect on the number of persons applying for services with State rehabilitation agencies. The number of new applicants has remained at about 600,000 per year in each of the last five years.

A recent study of disabled individuals served by private organizations discovered considerable differences between these persons and clients of State rehabilitation agencies. The most striking difference was in the severity of disability. Only 8.5 percent of persons in private caseloads were identified as severely disabled as compared to 48.5 percent of persons served by State Vocational Rehabilitation (VR). A little over two-thirds of the private clients were orthopedically impaired as compared to one-quarter in the State vocational rehabilitation program. However, very few of the individuals served by private agencies had visual or hearing impairments, mental retardation or mental illness (under 7 percent altogether) while well over 50 percent of the clients in State VR agencies had such disabilities. The private clients were more likely to have had some prior work experience and were less likely to include women and those under 25 years of age.

PRIVATE SECTOR REHABILITATIVE SERVICES

Question: Are State agencies able to serve all those who apply and are eligible, or is there an unmet need for rehabilitation services despite the efforts of State and private facilities?

Answer: Under the Rehabilitation Act every State agency is required to implement an order of selection criteria if the agency does not have sufficient resources to serve all eligible applicants. Currently, only 18 out of 83 State rehabilitation agencies apply an order of selection which requires the agencies to give priority in the delivery of rehabilitation services to severely disabled persons. This suggests that in 80 percent of the agencies, services are being provided to all eligible individuals who apply for services. In the agencies implementing an order of selection, we do not know how many eligible persons are not receiving services. However, a data element was added to the RSA-911 reporting system in 1986 that should help us to determine the frequency of such occurrences. Tabulation of the number of applicants not accepted due to the order of selection will be provided in the fiscal year 1988 annual report along with the analysis of other 1986 data. Data on the total number of disabled persons needing rehabilitation services, but not receiving them from either a public or private source, is not available.

SUPPORTED EMPLOYMENT

Question: Mrs. Will, I'm pleased to see that this year the Department has changed its position and requested funding for State supported employment grants. I know that States are just starting up their programs and that we don't yet have information about their operation. But I assume you do have data from some of the supported employment demonstrations begun in 1985 and 1986.

What have you learned from the demonstrations that States can apply as they develop their supported employment programs?

Answer: The statewide Supported Employment Demonstration projects have only been in operation for two or three years. Consequently, there is little data available on the impact of these projects. The Department has worked with a contractor for the past two years to develop common performance measurements for these projects, and is planning to evaluate the 27 statewide projects in 1988 through the Research and Training Center at Virginia Commonwealth University. This evaluation will provide the Department with detailed information on critical issues such as the extent of State implementation of supported employment programs, as evidenced by the conversion of day activity centers; the cost-effectiveness of supported employment services; the eligiblity criteria used for screening potential supported employment clients; the disabilities of individuals served, as well the employment outcomes for such clients; and the coordination of long-term funding sources with other State, local and nonprofit agencies.

At present, we know that the demonstration projects have supplied States with valuable practices and information which will enhance their ability to implement the new Supported Employment formula grant program. Many States have established policies and procedures in State agencies and legislatures for coordinating long-term funding sources. Coalitions between State and local agencies have been developed in many States as a first step in the "Systems Change" process. Also, practices for training supported employment staff have been developed and are being instituted at the State level.

Question: Have the demonstration projects been successful in finding State or other non-Federal funding to finance long-term supportive services for clients, as intended by statute?

Answer: The demonstration projects have recognized the need to develop policies, procedures, and systems that will result in long-term funding of support services for supported employment clients. Many State Mental Retardation/Developmental Disability Agencies have been helpful in providing this long-term support as have the Mental Health agencies. Such funding, is, however, directed mainly to clients of these agencies. Funding of long-term support services for other persons with severe disabilities such as Cerebral Palsy or traumatic brain injury has been more difficult to locate. Some States have been able to obtain direct appropriations from State legislatures for long-term support services for clients with severe disabilities such as traumatic brain injury. The location and development of fiscal resources for long-term support services will continue to be a priority for all of the statewide demonstration projects. Our evaluation will provide information on the degree of success States have had in finding sources of long-term support.

QUESTION SUBMITTED BY SENATOR LOWELL P. WEICKER, JR.

VOCATIONAL REHABILITATION STATE GRANT CASELOAD

Question: At the fully authorized level of $1.55 billion for this program, the States rehabilitation directors estimate they would be able to serve an additional 71,000 people.

When States continue to face a waiting list of 20 individuals for every one who receives services, can we affort not to increase their ability to get people into the workforce?

Answer: First, we are not aware of any "waiting list" of applicants. We do know, however, that 18 States have implemented an "order of selection" giving priority to serving severely disabled persons due to the agencies' limited financial resources to serve all eligible applicants. It is unlikely that these agencies have turned back 71,000 applicants, much less the 18 million persons who allegedly are waiting for services. However, we will have an opportunity to verify your estimate next year when RSA will, for the first time, tabulate the number of applicants not accepted due to the "order of selection." We will share that data with you at that time.

Second, we are skeptical about the supposition that an additional $100,000,000 in Federal funding will result in serving an additional 71,000 VR clients. We have not discovered any meaningful relationship between changes in the appropriation level and caseload trends. In fact, over the past several years, the number of VR clients served and the number of those rehabilitated has declined while the level of funding has substantially increased. We are, however, in the process of analyzing individual State caseload data to test the validity of the data reported by the States, as well as to identify and understand caseload trends. We do not believe that money alone is the sole determinant of VR caseloads trends.

STUDENT FINANCIAL ASSISTANCE

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

GRANT/LOAN BALANCE

Question: In 1976 the grant portion of student financial assistance was 49 percent, almost half. By 1988, it had fallen to 38 percent, or approximately one-third. While overall student financial aid has grown 5.8-fold--from $2.5 billion in 1976 to $14.8 billion in 1988--have we started to rely too heavily on loans, and is this negatively affecting minority participation in higher education?

Answer: The Department is sensitive to the need to maintain a grant/loan balance. Consequently, we are proposing to increase Pell Grant funding by $750 million in order, in part, to accommodate a $2,300 maximum award. The Department's proposed budget for fiscal year 1989 includes a higher proportion of Federal grant/work-study aid than for any year since 1980. Also, data from the 1987 National Postsecondary Student Aid Study regarding full-time, full-year undergraduates enrolled in the fall of 1986 who were awarded aid for the 1986-87 school year, show that the ratio of grant aid to loans for Black students is higher than for White students. In terms of Federal grants and loans, Black students, on average, received $1,785 in grants and $2,299 in loans. The corresponding amounts for White students were $1,554 and $2,441.

Additionally, according to Census figures, the number of Blacks in the traditional college age group (18-24) enrolled in college is at an all-time high: 801,000 in 1986 compared to 715,000 in 1980. Also, within similar income and academic achievement groups, Black high school graduates are at least as likely as Whites to attend college.

Question: In addition to questions regarding the loan/grant balance, I have some concern that recent changes in substantive law have tilted the program to middle-income students. Last year, while we increased the maximum grant to $2,200 and increased the program by $398 million, the majority of the increased funds--over $200 million--went to recipients with incomes over $15,000.

Shouldn't we be trying to do more for our poorest Pell Grant recipients before we provide more benefits for our middle-income recipients?

Answer: In addition to our proposed increased funding and maximum award for the Pell Grant program, we think that changes in the Supplemental Grant program resulting from the Higher Education Amendments of 1986 address this issue. Specifically, institutions are now required, when selecting SEOG recipients and determining their awards, to give preference first to students with exceptional need, i.e., those with the lowest expected family contributions, and then to Pell Grant recipients.

In previous years the Department has proposed modifications to both the family contribution methodology and grant award rules to more effectively target low-income recipients. These changes were not accepted by the Congress.

PROPOSAL TO ELIMINATE SSIG

Question: The Department has proposed to eliminate funding for the State Student Incentive Grant program, arguing that the program has met its original purpose of encouraging States to establish their own postsecondary student grant programs.

Since Congress did not go along with your request last year to eliminate this program, what new arguments do you have to support elimination?

Answer: Updated program data for each passing year provides additional support to our view that the SSIG program has fulfilled its purpose of encouraging States to expand their student assistance programs. The $1,800,000,000 that States will spend for these programs this year represents a four-fold expansion, since the inception of the SSIG program, of State commitment to assist postsecondary students. What should be emphasized, however, is that State expenditures have continued to increase even during the years in which Federal SSIG funding declined or remained at the same level as the previous year. The following chart illustrates the degree to which the steady growth in State programs has been independent of the level of Federal funding.

	Annual Percent Changes in Expenditures	
Academic Year	Federal SSIG Funding	State Expenditures for Need-based Student Grants
1982-83	-4%	+9%
1983-84	-19%	+10%
1984-85	+27%	+10%
1985-86	level funding	+8%
1986-87	-4%	+14%

Question: Since the program appears to be effective in stimulating extra funds for a very small Federal contribution, why eliminate it?

Answer: We have no reason to believe that the small Federal SSIG contribution, which now amounts to only 4 percent of the total State expenditure for student grants, is stimulating any extra aid for students. Most States have indicated that the withdrawal of Federal SSIG support would have no effect on their own commitment to providing student aid. Indeed, 10 States have reported that their legislatures may even appropriate an additional amount for student aid to compensate for the lost Federal funding.

QUESTIONS SUBMITTED BY SENATOR LOWELL P. WEICKER, JR.

"ABILITY TO BENEFIT" PROPOSAL

Question: For the Pell Grant program you are requesting a $750 million increase and a raising of the maximum award for the poorest students from $2,200 to $2,300.

But you are also seeking to eliminate from eligibility all those receiving Pell Grants presently who do not have a high school diploma but attend institutions of higher education, largely trade and technical schools, under the current law provision known as "ability to benefit."

How many students would be eliminated from participation in the Pell Grant program under your proposal to eliminate the ability to benefit provision?

Answer: In order to curtail the abuse of student financial aid which results from unprepared students being enrolled in institutions of postsecondary education, the Department proposes to require possession of a high school diploma, or its equivalent, by every recipient of Federal student financial aid. A subjective, institutional determination of a student's "ability to benefit" from the educational program offered by the institution would no longer be sufficient to demonstrate eligibility for Federal student financial aid. Under this proposal, approximately 127,000 fewer students would be eligible for Pell Grants. In addition, the number of Guaranteed Student Loan recipients would be reduced by approximately 40,000.

Question: What would happen to these students? Are you proposing a corresponding expansion of other programs sufficient to provide for those who would be dropped from Pell Grant eligibility such as expanding programs which offer high school equivalency degrees?

Answer: Our "ability to benefit" proposal would affect students who have not successfully completed their secondary education. Secondary education is generally within the purview of States and localities which are therefore principally responsible for administering related programs. However, the Department also administers a number of Federal programs which assist students in obtaining a high school diploma or its equivalent. These programs include:

- The Adult Education program, under which:
    - Grants to States support programs that assist educationally disadvantaged adults in developing basic skills, including literacy, and in achieving certification of high school equivalency. The Department is requesting $148 million for this activity for fiscal year 1989, a $33 million increase over fiscal year 1988.
    - Research, development, demonstration, evaluation and related activities that will contribute to the improvement and expansion of adult education are carried out. The Department is requesting $2 million for this activity for fiscal year 1989, a $85,000 increase over fiscal year 1988.
- Special Programs for the Disadvantaged, which provide services designed to identify, motivate and assist disadvantaged individuals to develop the necessary skills to complete high school and enter and complete postsecondary education. The Department is requesting $206 million for these programs for fiscal year 1989.
- The Dropout Prevention Demonstration program to test approaches for (1) identifying potential dropouts and encouraging them to remain in school, and (2) encouraging those who have already dropped out to re-enter school. The Department is requesting $21 million for this program for fiscal year 1989; and
- The Vocational Education Cooperative Demonstration program under which grants are made to eligible applicants to demonstrate dropout prevention and reentry programs in

vocational education. The Department is requesting $5 million for this program for fiscal year 1989.

Question: Finally, should the Congress not adopt your proposed elimination of "ability to benefit", how much more, over and above the $750 million increase would be needed to provide Pell Grants to all those eligible?

Answer: The Department estimates that its proposed elimination of the "ability to benefit" provision in the Pell Grant program would save approximately $187 million. If this proposal is not accepted, the sum needed to fully fund the program would have to be increased by that amount.

CBO VERSUS DEPARTMENT PELL GRANT COST ESTIMATES

Question: What accounts for the significant discrepancies between Pell Grant cost estimates of the Department of Education and those calculated by the Congressional Budget Office (CBO)?

Answer: There are three principal differences between the Department's and the CBO's Pell Grant cost estimates.

(1) The CBO estimates that there will be no increase in costs associated with the new authority in the Higher Education Amendments of 1986 allowing financial aid officers to use their discretion to adjust Pell awards. The Department estimates that providing such discretionary authority to adjust the expected family contribution or the cost of attendance in calculating Pell Grants would cost $166 million in fiscal year 1988.

(2) The CBO estimates that the new independent student definition in the Higher Education Amendments of 1986 will have no effect on Pell Grant costs. The Department estimates that the new definition, which makes several large classes of students automatically independent, will cost $145 million in fiscal year 1988. Already, preliminary data for the current academic year (1987-1988) indicate that a large shift from dependent to independent status is occurring.

(3) The Department and CBO use different methodologies to simulate the effects of the Tax Reform Act of 1986.

ACCOUNTABILITY IN THE INCOME CONTINGENT LOAN PROGRAM

Question: For the Income Contingent Loan program (ICL), you are requesting a major expansion of this pilot demonstration requesting a fiscal year 1989 level of $50 million--a $45.7 million increase over the fiscal year 1988 level of $4.3 million. This is a program the Administration has been pushing for the last few years at higher levels than Congress has provided.

I notice that for another loan program, Guaranteed Student Loans, you are proposing several legislative changes to provide greater "accountability," such as requiring credit checks, risk sharing with lenders, college exit interviews, etc.

You are also proposing new "accountability" measures for other student aid programs. Unless I am mistaken, I have found no such "accountability" measures proposed for the ICL program, despite your request for its significant expansion.

What is your rationale for excluding Income Contingent Loans from proposed accountability measures you would impose on other programs?

Answer: Many of the major student aid accountability provisions that apply to the traditional student aid programs also apply to Income Contingent Loans, such as:

- o Requiring recipients to possess a high school diploma or its equivalent.
- o Requiring schools to obtain borrowers' addresses, employers' addresses, next-of-kin addresses and driver's license numbers during the exit interview.
- o Requiring borrowers to undergo credit checks. Co-signers would be required for those with poor credit ratings.
- o Implementing a more stringent definition for "independent student."

PROPOSED EXPANSION OF ICL PROGRAM

Question: Since this is a demonstration project which has yet to prove itself in any way--what is your rationale for such a major expansion, particularly when you would eliminate the $186 million capital contribution under the campus-based direct loan program (also known as Perkins Loans)?

Answer: Due to the revolving nature of the Perkins Loan program, our proposed elimination of new Federal capital would decrease loan volume by $156 million over the fiscal year 1988 level. Volume in the Guaranteed Student Loan program under our fiscal year 1989 proposals would increase by $443 million. This amount, coupled with our proposed increase for the ICL program, more than offsets the reduced Perkins Loan volume.

Perkins Loans do not emphasize adequately the importance of access to education and educational choice, particularly for needy students who require more flexible repayment conditions and expanded opportunities to finance their educational expenses. Income Contingent Loans, which limit Federal subsidies and accommodate borrowers by allowing for more manageable debt repayment schedules, is an excellent alternative source of support.

It is apparent that the current ICL funding level and restricted institutional participation preclude a fair test of this concept. In other words, given the small sample of institutions (10), it would be inappropriate to extend the findings of the pilot program to the population of all institutions. A larger group of participating institutions would recognize the tremendous variability in higher education and provide a better analysis base. A program funding level of $50 million would accommodate 100 institutions.

GUARANTEED STUDENT LOANS

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

91 DAY T-BILL RATES AND GSL PROGRAM COSTS

Question: We understand that the Department is using a 91 day T-bill interest rate projection of 5.4 percent for fiscal year 1989. The President's budget assumes a 5.2 percent rate for 91 day T-bills (p. 3b-7). Why aren't you using the same assumption as the rest of the Administration?

Answer: Section 438(b)(2) of the Higher Education Act stipulates that special allowance payments under the Guaranteed Student Loan program are based on the bond equivalent rate i.e., the yield rate of 91 day T-bills. The interest rate of 5.2 percent is calculated on a bank discount basis.

Question: Most economists project the rate will be 5.7 to 5.8 percent for 1989. For the record, please provide the Committee with the funding levels that would be required for the GSL program at 91 day T-bill rates of 5.2 percent, 5.3 percent, 5.4 percent and so on, increasing by tenths to 6.0 percent.

Answer: The Department's budget request of $2,736 million is based on a projected 5.4 percent bond equivalent rate for the 91 day T-bill in fiscal year 1989. A rate of 5.2 percent would require about $2,636 million; 5.3 percent, $2,686 million; 5.4 percent, $2,736 million; 5.5 percent, $2,786 million; 5.6 percent, $2,836 million; 5.7 percent, $2,886 million; 5.8 percent, $2,936 million; 5.9 percent, $2,986 million; and 6.0 percent, $3,036 million.

GSL PROGRAM REVIEWS

Question: I did not see on the list of "Current Department Efforts to Reduce Defaults" any mention of a need to increase institutional and lender reviews and audits. In fact, the Department's institutional reviews decreased from a 1981 high of 1,058 to 417 in 1986, a 60 percent decline. Lender reviews have decreased from 919 in 1981 to 473 in 1986, or 49 percent.

The 1989 request for audit staff focused on the Guaranteed Student Loan program shows a small 5-position increase over 1988, but the Department would still be 30 percent below the 1981 audit level. Should the audit staff be increased?

Answer: The Department has taken steps to increase the resources devoted to monitoring activities. The student financial aid regional offices were reorganized in fiscal year 1987 to make the most efficient use of available staff resources. Travel funds for the regional offices were increased from prior year levels in fiscal year 1987 and again in fiscal year 1988. Regulations for the Guaranteed Student Loan program published in November 1986 now require the guarantee agencies to conduct reviews of their largest schools and lenders participating in the GSL program, thus increasing the overall monitoring of those institutions and reducing Federal requirements in this area. In addition, verification requirements have reduced the need for institutional reviews, and private training opportunities have emerged which have improved institutional administrators' capabilities.

DEFAULT PREVENTION MEASURES IN HIGHER EDUCATION AMENDMENTS

Question: Many of the recent changes for default prevention were the result of the Higher Education Amendments of 1986, but the Department still hasn't published the draft regulations. Why has it taken so long?

Answer: Provisions of the Higher Education Amendments of 1986 related to default prevention as well as other issues became effective irrespective of the publication of implementing regulations. The Department notified lenders, institutions and guarantee agencies of pertinent statutory changes through a series of "Dear Colleague" letters. This correspondence does not replace program regulations, but the Federal rulemaking process is a much more complex and lengthy process. The Secretary carefully reviews the authorizing legislation and current regulations to avoid unnecessary duplication and provides clear guidance for proper program administration. In addition, GSL staff were unexpectedly faced with a series of major tasks that took time away from development of these regulations. These tasks included dealing with urgent implementation problems arising from November 1986 regulations, helping to develop the Secretary's default initiative announced last Fall, and processing recent guarantee agency waiver requests in connection with 1987 congressional reconciliation action to eliminate excess agency reserves. We nonetheless expect publication of these regulations later this summer.

HIGHER EDUCATION

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

TRIO FUNDING FREEZE

Question: I guess we're making some progress in convincing the Department of the value of the TRIO programs. I notice that this year you're proposing a freeze instead of the usual drastic funding cut. And your budget documents even offer some praise for TRIO, saying that it increases minority college enrollments.

But if the Department has now gotten religion and believes the TRIO programs are worthwhile, why didn't you propose any increase in funding? You requested increases for other higher education programs serving minorities--for example, a 10 percent hike in funding for historically black colleges.

Answer: The Department believes that its budget request for the TRIO programs, in combination with a policy decision to encourage the development of more cost-effective means of providing TRIO services, represents a sound basis of Federal support. For fiscal year 1988, the TRIO projects received a 16.7 percent increase in total funding. Of this increase, $6.5 million now supports 55 new Student Support Services grants, serving approximately 13,000 disadvantaged students in both fiscal year 1988 and fiscal year 1989. In developing its budget request for TRIO, the Department considered a number of factors, including funding increases received in the preceding fiscal year. Thus, as you note, we were able to increase budgets for some higher education programs serving minorities, and maintain others at the same level as for fiscal year 1988. The Department is also seeking a major increase in Pell Grant funding, from $4.260 billion in fiscal year 1988 to $5.011 billion in 1989. This increase will raise the maximum award for students with very limited financial resources from $2,200 to $2,300. Many of the low-income and disadvantaged students served by the TRIO programs will benefit from this increase in maximum award.

TARGETED GRADUATE FELLOWSHIPS

Question: I'm curious about what seems to be an inconsistency in your Higher Education request. You ask for funding for Javits Fellowships in order to encourage graduate study in the arts, humanities and social sciences. Yet, you want to zero out the Graduate Assistance in Areas of National Need program, saying that general graduate assistance is already available through the Department's financial aid programs.

Why is it appropriate to fund the Javits program, which provides targeted graduate fellowships in the humanities, but not appropriate to support the National Need program, which provides targeted fellowships in high priority fields like engineering, mathematics and computer sciences?

Answer: The Jacob Javits Fellowships in fact do provide financial support for study in those areas of the arts, humanities, and social sciences where there are anticipated shortages in liberal arts faculty. However, they are not targeted at specific fields of study but at broad academic disciplines. Further, the Javits Fellowships recognize outstanding student achievement as they are awarded on the basis of demonstrated accomplishment and exceptional promise. The Department has not recommended funding for the Graduate Assistance in Areas of National Need program primarily because we believe that the market place, not the Department, offers the best and most appropriate mechanism for identifying the national need for individuals trained in particular academic fields. Further, the Department has several general programs of financial assistance for which all students may apply; these include the Perkins Loan and Guaranteed Student Loan programs. Finally, other Federal agencies and graduate and professional schools have targeted their fellowship and financial support on areas of national need. For example, in fiscal year 1987 the National Science Foundation provided more that $30.6 million for fellowship support. With such broad and deep support available for graduate study in fields of national need, the Department believes that continuing funding for Jacob Javits Fellowships is consistent and appropriate.

TRIO PROGRAMS ACCOUNTABILITY INITIATIVE

Question: You indicate that you are planning an accountability inititative for the TRIO programs to see how successful they are in helping students enroll in and complete college. You would begin this effort with Upward Bound grants, which are up for recompetition in 1989.

Please tell us how you would judge Upward Bound program applications and how you would evaluate their success in meeting the Department's designated objectives.

Answer: Applications for Upward Bound grants in 1989 will be evaluated using the criteria published in Federal regulations. Specific factors which may be used to establish accountability include performance reports, audit reports, site visit reports, project evaluation reports, and information contained in the specific application under consideration. The information provided in these documents permits the Department to evaluate accountability for both new and continuing applicants. For continuing applicants, these regulations provide specific criteria, worth an additional 15 points, for evaluating accountability. New applicants provide such information in their proposals in response to each of the evaluation criteria, but especially in those sections of their proposals dealing with the requirement to document key personnel, budget and cost effectiveness, the likelihood of project success, and in the plan presented for self evaluation of project accomplishments.

Question: Would this present any possible conflicts with the statutory requirement to give priority to grantees with prior experience in running TRIO programs?

Answer: The Department believes that requiring accountability of TRIO programs is sound management practice and consistent with the criteria established for the evaluation of prior experience.

FUND FOR THE IMPROVEMENT OF POSTSECONDARY EDUCATION MINORITY ENROLLMENT ACTIVITIES

Question: We've discussed with the Secretary our mounting concerns about declining minority enrollments and have considered ways in which Department programs could do something to reverse these trends.

It seems to me that the Fund for the Improvement of Postsecondary Education (which supports exemplary, locally developed improvement projects in higher education) would be a good mechanism to demonstrate ways to lower minority dropout rates and increase minority graduate school enrollments.

I know that you have requested a hefty increase in budget authority for the Fund, but it is targeted for college cost containment projects. What Fund resources are currently allocated to projects focusing on minority enrollments?

Answer: For fiscal year 1987, the Fund for the Improvement of Postsecondary Education (FIPSE) supports 25 projects which focus on access and retention of students in postsecondary education. Sixteen of these projects are also funded at specific postsecondary institutions. Projects with specific objectives related to lowering minority dropout rates include the Professional Development Program at the University of California at Berkeley. This program provides assistance to 15-20 colleges and universities in their efforts to adapt a retention program (the PDP), which at Berkeley has promoted high levels of achievement in mathematics and high persistence rates among black and Hispanic students in attendance there. Hunter

College of the City University of New York is evaluating the effect of the education opportunity project Seek on attrition, which will (1) permit the college to develop predictive models for attrition amoung high-risk groups, and (2) provide recommendations for improvements in support groups at Hunter. Ohio State University at Mansfield received a FIPSE grant specifically to develop a retention program for minority and other disadvantaged students that pairs each student with both a faculty member and a professional from the community to serve as mentors and role models. Thus, we believe that FIPSE does support local, exemplary projects that demonstrate ways to lower minority dropout rates and increase minority graduate school enrollments. The Department's TRIO programs provide additional academic and developmental support for minority and low-income students; its student financial assistance programs provide financial assistance in the form of grants, loans, and work-study programs.

INSTITUTIONAL DEVELOPMENT GRANTS

Question: Mr. Whitehead, as you know, the 1988 appropriation for institutional development grants was $60 million. The authorizing statute requires that $51 million of this amount be set aside for two-year colleges, so no money is available for new grants to four-year institutions.

We've heard from a number of four-year colleges who are upset about the conflicting guidance they've gotten from the Department about these institutional development grants. You sent out a letter in February notifying them that they were eligible to compete for new grants. Then, at the end of March, just a few weeks before the application deadline, you informed them that there would be no money for new awards.

The appropriation level and the statutory set-aside for two-year colleges are both well known to the Department. Why did you lead four-year colleges to believe that there would be funding for new grants when it was clear that the appropriation could not support them?

Answer: The Department was aware of a potential problem with the funding level for Part A of Title III when the continuing resolution was passed in December at a level a full 20 percent below the fiscal year 1987 appropriation for Part A. However, it was only after the grant applications from four-year institutions were reviewed and recommended funding levels developed that we knew that the funds requested for continuation awards by four-year institutions were substantially above the funding available for four-year institutions.

TITLE III, PART A

Question: Will any historically black colleges receive funding from Title III-A, as well as Title III-B, of the Higher Education Act in 1988?

Answer: In fiscal year 1987, 10 historically black colleges received $2.8 million under Part A of Title III. Unless there is a change in the authorizing statute, which some members of Congress have proposed, these institutions will receive the continuation grants for which they are entitled in fiscal year 1988. It is also possible that additional historically black colleges will receive funding in fiscal year 1988 in the competition which is currently underway. As that competition has not yet been completed, it is not known yet whether any will be funded.

Question: If so, what will be their total funding under Title III-A?

Answer: The total amount which historically black colleges will receive under Part A is not known at the present time.

Question: You have requested $36.5 million for Title III-A continuation grants in 1989. Given the Department's revised interpretation of the statutory set-aside for two-year institutions and its impact on 1988 grant allocations, should this estimate of 1989 Title III-A continuation costs be revised?

Answer: The fiscal year 1989 request was based on making new grants in fiscal year 1988 under Part A of Title III. We did not, however, anticipate making as many new grants as were made in fiscal year 1988. For this reason, we have revised our estimate of the amount required to fund continuation awards upwards to $44.4 million.

MINORITY SCIENCE IMPROVEMENT PROGRAM

Question: One of the authorized activities for special projects under the Minority Science Improvement program is developing precollege science enrichment programs. This would appear to be a particularly important use of program funds, given the belief that any increase in the number of minority students who pursue degrees in the sciences may be a function of what is done at the precollegiate level to make science more attractive. To what extent are recipients of these funds engaged in such precollegiate activities? Please describe some of those activities.

Answer: Descriptions of several Pre-College projects funded under the Minority Science Improvement program follow.

Huston-Tillotson College: Adaptation and Application of the Computer in Science, Mathematics and Problem Solving (Pre-College)

Huston-Tillotson College is a private four-year undergraduate, co-educational, historically black institution located in the urban area of Austin, Texas. The total student population is composed of blacks and Hispanics. This project will present a two-year summer mathematics, science, and computer camp for 75 seventh and eighth graders. The summer program will offer five courses: Intergrate Mathematics and Science, Computer Programming, Computer Applications, Individual Research, and Career Awareness. The focus will be to increase the understanding of the role of mathematics in science, to increase analytical reasoning and problem solving skills, to increase career and life planning skills, to increase computer programming and applications skills, and to enhance understanding of ethical and social issues in science.

Xavier University: A Pre-College Mathematics Enrichment Program and Academic Year Follow-Up for Black Americans (Pre-College)

Xavier University is located in an urban setting in New Orleans, Louisiana, where the enrollment in the city's public schools is 90 percent black. Xavier University has an undergraduate enrollment of 1,688 students, of whom 59 percent are natural science or mathematics majors. The University also has an ongoing, successful, pre-college program which has been in place since the early 1970's. The objectives of this project are: (1) to increase the number of black Americans interested in obtaining careers in mathematics, natural science and engineering; (2) to enroll 100 black Americans each summer of the grant into the "MATHSTAR" program in Xavier University's Summer Science Academy; (3) to publish a monthly newsletter and distribute it to 1,600 teachers and counselors and 2,500 students in the Gulf South; and (4) to develop 12 "hands-on" experiments in math/science for upper level Xavier students to demonstrate at 20 local schools (elementary, junior high, middle and high schools) each year of this project.

Stillman College: Improvement of Mathematics/Science Competencies of Minority High School Students (Pre-College)

Stillman College, located on the edge of the "blackbelt" of Alabama in Tuscaloosa is a four-year historically black college. This project will provide 30 minority high school students with rigorous training in mathematics and the sciences. The program will be carried out during two six-hour summer sessions. Student participants will live on campus and spend 7-8 hours each day in lectures, discussions, problem solving exercises, seminars, and independent research projects to develop their Math/Science competencies. The objectives of the project are: (1) to give the minority students a unique mathematics and science learning experience not available in high schools; (2) to provide an opportunity for students to better understand mathematics/science and scientists; (3) to provide direct contact with role models who can motivate students to pursue careers in science and math; and (4) to produce a positive attitude towards mathematics and science courses and career possibilities among the students.

Question: How much of the Minority Science Improvement program's fiscal year 1988 appropriation will be awarded to historically black colleges?

Answer: The most recent data available is for fiscal year 1987, which shows that historically black colleges received 65 percent of the appropriation for the Minority Science Improvement program. The following is a breakdown that shows the amount of the awards received under the four different components of the program

Cooperative Project	$1,074,537
Institutional Project	$15,012,259
Design Project	$19,026
Special Project	$667,500

Question: How much to institutions with predominantly Hispanic enrollments?

Answer: The amount of the appropriation received by institutions with predominantly Hispanic enrollments for fiscal year 1987 was: Mexican-Americans, 11 percent and Puerto Ricans, 8 percent. The breakdown for specific components of the program is as follows:

Mexican Americans	
Cooperative Project	---
Institutional Project	$506,318
Design Project	---
Special Project	$46,819

Puerto Ricans	
Cooperative Project	$280,182
Institutional Project	---
Design Project	---
Special Project	$130,686

Question: How much to other groups of minority institutions?

Answer: A portion of the Minority Science Improvement program's fiscal year 1987 appropriation also went to:

American Indians	
Cooperative Project	---
Institutional Project	$64,826
Design Project	---
Special Project	$46,819

Professional and scientific organizations received $127,966 from this program in fiscal year 1987.

INNOVATIVE PROJECTS FOR COMMUNITY SERVICE

Question: Why are you proposing to eliminate innovative projects for community service, when the projects began just last October and have not yet been evaluated?

Answer: This program is duplicative and unnecessary; the concept of providing financial assistance in return for public service has been adequately demonstrated by the College Work-Study program. Therefore, we feel it inappropriate to continue support for such a narrowly focused program.

LAW SCHOOL CLINICAL EXPERIENCE

Question: Has the Department conducted any evaluation to determine whether disadvantaged students who have participated in the CLEO program complete law school at higher rates than those who are not CLEO participants?

Answer: The Department has not conducted any evaluations which would indicate that CLEO program participants complete law school at a higher rate than non-CLEO participants. However, a recent survey showed that the average rate for passing the bar examination was 87.5 percent for CLEO fellows who had completed law school.

Question: Are there particular accredited law schools that receive the majority of support from the law school clinical experience program?

Answer: Any accredited law school in the United States is eligible to apply and compete for grants or contracts under the Law School Clinical Experience program. The following institutions received grants of $50,000 or more in 1987:

Santa Clara University (CA)
Loyola Marymount University (CA)
University of Chicago (IL)
Tulane University/Loyola Law School (LA)
Thomas M. Cooley Law School/Sixty Plus Law Center (MI)
University of New Mexico (NM)
Brooklyn Law School (NY)

Question: How many law schools have clinics in their regular budgets?

Answer: Out of approximately 170 law institutions in the United States, 115 of them have a clinical legal education program as part of their curriculum.

FOREIGN LANGUAGES AND AREA STUDIES

Question: Please provide us with a listing of all programs throughout the Federal Government that support education in foreign languages and area studies.

Answer: A wide variety of Federal programs support foreign language and area studies. These range from programs for employees of the Department of State to exchange programs sponsored by the U.S. Information Agency, the Agency for International Development, and numerous other agencies. The following listing includes major Federal programs supporting international foreign language, area studies, and training programs for Americans. All programs listed provide some form of education or training to participants. Other Federal departments provide international exchange programs related to their mission which may not focus directly on foreign languages and area studies. These include but are not limited to the Departments of Agriculture, Commerce, Energy, Housing and Urban Development, Interior, Labor, Transportation, the Environmental Protection Agency, and the Smithsonian Institute.

- Department of Defense
  - -- Defense Language Institute, Monterey, California
  - -- Service Academies Language Studies
  - -- Army Foreign Language Training Centers - Europe (Russian)
  - -- Army Foreign Area Officer Program
  - -- The Defense Intelligence College, Bolling Air Force Base

- -- Senior Service Colleges
- -- John F. Kennedy School for Special Warfare, Fort Bragg (Green Berets)

o Department of Education

International Education and Foreign Language Studies

Domestic Programs:

- -- National Resource Centers
- -- Foreign Language and Area Service Fellowships
- -- International Studies and Foreign Language Programs
- -- International Research and Studies Projects
- -- Business and International Education Projects
- -- Bologna Center, School of Advanced International Studies, Johns Hopkins University

Overseas programs:

- -- Fulbright-Hays Projects
- -- Group Projects Abroad
- -- Faculty Research Abroad
- -- Doctoral Dissertation Research Abroad
- -- Seminars Abroad/Special Bilateral Projects
- -- Support for the Committee for Scholarly Communication with the Peoples Republic of China

o Department of Health and Human Services

Public Health Service:

- -- Foreign Work Study Program
- -- Center for Disease Control - Training Overseas
- -- Health Resources and Services Administration - Training in Foreign Countries

National Institutes of Health - Fogarty International Center:

- -- International Research Fellowship Program
- -- Senior International Fellowship Program
- -- National Research Service Award
- -- Foreign Supported Fellowships for U.S. Scientists
- -- Health Scientist Exchange Program

o U.S. Information Agency

Fulbright Program:

- -- Academic Exchange Program
- -- Cooperating Private Institution Grants
- -- Private Sector Programs
- -- International Youth Exchange
- -- East-West Center
- -- American Participants
- -- Teacher Exchange
- -- Academic Specialist Program

o National Science Foundation

Cooperative Science Programs:

- -- Numerous cooperative programs with countries in Africa, East Asia and the Pacific, Europe and Latin America
- -- The Indo-U.S. Science and Technology Initiative

o Peace Corps

- o Department of State
  - -- Consolidated Overseas Schools Assistance
  - -- Agency for International Development - Participant Training Program
  - -- Foreign Service Institute

- o Library of Congress
  - -- Visiting Scholars Program - Educational Liaison Office

- o National Endowment for the Humanities

  Regrants Program:
  - -- International Research
  - -- Centers for Advanced Study
  - -- Regrants in Selected Areas
  - -- Fellowships for University Teachers
  - -- Fellowships for College Teachers and Independent Scholars

In addition to these major programs, the Federal Government has a number of other programs which provide more modest levels of support. These programs include those sponsored by the Japan-U.S. Friendship Commission, the Inter-American Foundation, various bilateral agreements between the United States and other countries, and other Federal and quasi-governmental agencies.

Question: Has total Federal funding in this area risen or fallen in recent years?

Answer: During the last three years, Federal funding for the Department of Education's International Education and Foreign Language Studies program has remained at approximately the same level. The fiscal year 1988 appropriation of $30.7 million is a decrease of $1.4 million from 1987 but an increase of $140,000 over 1986. Overall Federal funding in this area has remained relatively stable, with slight increases at certain agencies. For example, the fiscal year 1986 appropriation for the Army's Defense Language Institute, which provides foreign language training for members of the U.S. Armed Forces and other Government agencies, was $38.2 million. Although the 1987 appropriation decreased by $1.5 million, the 1988 appropriation was $41.2 million. The Defense Language Institute anticipates a 10 percent growth in program participation despite a return to the reduced 1987 funding level of $36.7 million for fiscal year 1989.

Question: What is the effect of the Administration's budget request on overall Federal support of foreign language education?

Answer: International education programs serve critical trade, defense, diplomatic, and other security needs of the United States since they strengthen and broaden scholarly expertise in foreign lauguages, world area studies, and international issues. Federal agencies directly concerned with defense and international understanding and cooperation directly support these programs. By awarding grants for a broad range of concentrations in areas of key interest to the United States, particularly of non-Western countries, the programs have promoted the study of languages and cultures not commonly taught. The Administration's budget request will enable the Department of Education to continue to focus funds on advanced training and research most integral to meeting national needs.

PATRICIA ROBERTS HARRIS PUBLIC SERVICE FELLOWSHIPS

Question: What data do you have to support your statement in the Harris Public Service Fellowships justification that Federal, State and local governments are recruiting significantly more persons with degrees in specialized disciplines rather than persons with general training in public administration?

Answer: Our statement was based on trends resulting from an apparent oversupply of graduate degree recipients in public service fields.

Question: How many people were recruited by Federal, State and local governments with degrees in specialized disciplines last year?

Answer: The Department does not collect that information.

Question: How many were recruited with general training in public administration?

Answer: The Department does not collect that information.

QUESTIONS SUBMITTED BY SENATOR LOWELL P. WEICKER, JR.

MINORITY COLLEGE ENROLLMENT DECLINE

Question: The Census Bureau recently found that while more minority students are graduating from high school than ever before, there has been a significant drop in the percentage of black high school graduates who are enrolled in college.

Percentage of Black High School Graduates Enrolled in College

1976	1985
33.5%	26.1%

What accounts for this decline and what more could the Department and the Congress be doing to reverse it?

Answer: The decline in the percentage of black high school graduates who enroll in college is a somewhat misleading statistic. As you pointed out, the high school graduation rate for blacks rose significantly between 1975 and 1985, from 61 percent to 71 percent. As a result of this increase, you would expect that more blacks would be going on to college.

There are a number of possible explanations for the decline in the percentage of blacks enrolling in postsecondary education. One explanation may be a lack of financial resources caused by what some believe to be recent declines in Federal student financial aid. The available data does not, however, support this explanation. In fact, Federal student financial aid has increased nearly every year.

A more likely explanation is that blacks are enrolling in "non-traditional" postsecondary education institutions, specifically, for-profit trade and technical schools. Enrollment in these institutions has increased in recent years. Often in obtaining data on postsecondary enrollment, students in these institutions are significantly undercounted. This is significant when you realize that nearly 12 percent of the blacks enrolled in the fall of 1986 were enrolled in for-profit institutions compared to 4.8 percent for all undergraduates. It is likely, then, that the participation rate of blacks in postsecondary education is significantly understated.

Even when black enrollment in non-traditional institutions is considered, the low level of black participation is still a problem. In an effort to address this problem we are requesting more than $205 million for the Special Programs for the Disadvantaged. Some of these programs have been shown to be effective in increasing participation in higher education. These programs, along with those sponsored by institutions of higher education and State and local governments, can do much to increase the participation of blacks in higher education.

Question: Isn't it also true that the number of doctorates earned by blacks over the last decade has also declined?

Answer: Yes, the number of blacks receiving doctorates has declined in recent years. Our budget request includes funding for three programs which we believe will contribute significantly to increasing the number of minority graduate students. These programs are:

- Patricia Roberts Harris Graduate Fellowships;
- Legal Training for the Disadvantaged; and
- Minority Participation in Graduate Education.

The last of these programs is new in fiscal year 1988 and is expected to significantly increase the number of minority students enrolling in graduate education.

COLLEGE HOUSING AND HIGHER EDUCATION FACILITIES LOANS

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

MANAGEMENT OF LOANS ALREADY SOLD

Question: To implement its loans sales program for College Housing and Higher Education Facilities Loans, the Department turned over a portfolio of loans to a trust, which will manage the portfolio on behalf of bond holders. We have heard concerns that the trust may not be sensitive enough to the special needs of higher education institutions in its management of the portfolio. For example, an organization motivated only by the bottom line may not consider special circumstances of a college that finds it must default or reduce payments on a facility loan.

How do you respond to the criticism that, in selling off its loans, the Department is neglecting its responsibilities to protect the interests of institutions of higher education?

Answer: The Department believes that it took all necessary precautions to protect the institutional borrowers whose loans were sold in the 1987 and 1988 Loan Asset Sales program. We assure you that the terms and conditions of the original loan agreement between the borrowers and the Department has not--nor will it ever be--altered as a result of the loan sale. The only difference to the institutions is that now they remit their loan repayments to the Trusts' loan servicer, General Electric Capital Corporation (GECC), rather than the Department's fiscal agent, the Federal Reserve Bank. Moreover, the Department has had several discussions with GECC and has impressed upon it the need to work closely with any school who has financial problems and to pursue all possible opportunities to restructure the loan, short of foreclosure. In addition, we have requested that GECC give full and fair consideration to requests from borrowers for certain variances or waivers from the terms of their original loans. If an institution defaults on a loan sold to either of the Trusts, the Loan Servicer will work with the school to make every attempt possible to get the loan back into repayment status. The remedy of last resort is foreclosure; however, since this is of little benefit to the servicer or the school, the possibility is remote that any college could go out of business as a result of loan asset sales.

LOANS VERSUS EARMARKED GRANTS

Question: You've made clear your objections to Congress earmarking funds for the construction of facilities on specific college campuses, saying that it is an inappropriate Federal expenditure and that it bypasses the competitive review process. But, you know that Congress will continue to provide funds for higher education facilities in some form because we hear of the great infrastructure needs on our campuses.

If you're concerned about costs to the Federal Government and competitive review, wouldn't it make more sense to request funding for College Housing Loans, which are granted competitively and which provide an interest subsidy rather than an outright grant?

Answer: The Department does not believe that the Federal Government has the responsibility for financing the capital outlay needs of the physical plant of institutions of higher education.

Responsibility for this type of fundamental institutional support lies with colleges and universities themselves, States and local governments, and private sector users and beneficiaries.

Also, the recently authorized College Construction Loan Insurance Association, which has now received $19 million in Federal capital, is expected to enhance the availability of credit for higher education construction through its guarantee and insurance activities, thus eliminating any need for direct Federal loans or grants.

Question: How many College Housing and Academic Facilities Loans applications did you turn down in 1987 because of insufficient appropriations? How many were approved?

Answer: The Department received 167 applications in 1987 requesting $139 million in College Housing and Academic Facilities Loans. We awarded the following in loans:

	No. of loans	Amount
Academic Facilities	14	$31,000,000
College Housing	11	29,000,000
	25	60,000,000

COLLEGE CONSTRUCTION LOAN INSURANCE ASSOCIATION

Question: What is the status of the College Construction Loan Insurance Association (Connie Lee)?

Answer: Connie Lee is not yet operational. The delay is due to a legal problem concerning whether Connie Lee is a "government instrumentality" whose guarantees would deny tax-exempt status to obligations under Section 149(b) the Internal Revenue Code of 1986.

Question: When will it become operational to the extent that it will start providing default insurance for the construction of higher education facilities?

Answer: Connie Lee hopes to resolve this tax problem by September in order to begin operations later this year.

Question: To what extent has Connie Lee obtained equity capital from the private sector?

Answer: During fiscal year 1987, Sallie Mae purchased $2 million in voting common stock. As a result of the tax issue, Connie Lee has received no additional private investment. However, Connie Lee is preparing to place with private investors approximately $100 million in additional common stock.

Question: Once operational, what proportion of the total volume of higher education construction loans is Connie Lee estimated to be able to insure?

Answer: At this time, it is difficult to estimate what proportion of the higher education construction loans Connie Lee will insure, once operational. Although Connie Lee cannot predict institutional demand for its services, Connie Lee's goal will be to insure $10 billion of such obligations over the next ten years.

EDUCATION RESEARCH AND STATISTICS

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

NEWLY AUTHORIZED STUDIES

Question: Dr. Finn, since you submitted your 1989 budget request for education research and statistics, Congress has passed the elementary and secondary education reauthorization bill. That bill requires the Secretary to conduct numerous studies and transmit many reports -- I counted at least 22 requirements. How much more money would you need to complete the studies and reports mandated in the reauthorization bill?

Answer: As a result of the changes brought about by the recently-passed reauthorization bill, we are requesting an additional $3.4 million for Education Research and Statistics in fiscal year 1989. This includes program costs estimated at $2.5 million for the National Cooperative Education Statistics System, $850,000 for operation of the Education Indicators Panel, and a $50,000 increase to meet the mandated minimum required for the National Assessment of Educational Progress.

Question: If you don't receive funding above your requested level, how will you reallocate resources to meet the Congressional requirements?

Answer: In the event that we do not receive funding above our original request, we will reexamine all of our funding requests for all the Education Research and Statistics projects. Reductions would not be taken below the minimum amounts mandated by statute for activities such as the Regional Educational Laboratories, the National Education Research Centers, etc.

DROPOUT MEASURES

Question: Mr. Finn, I am particularly interested in your efforts to find an accurate way to measure high school dropout rates. I know this has been difficult in the past because students may change districts or cross State lines and be inaccurately recorded as dropouts. Or they may indeed drop out, but return to finish school or get their G.E.D. several years later. Your budget includes a request for $1.5 million for a new survey of households with children that you say will provide us with better information about dropouts. Can you tell us how this survey would operate and how it will improve on previous efforts to measure dropout rates?

Answer: The Center proposes both to fund a feasibility study of a household-based survey and to develop an alternative school-based survey option. These alternative approaches would be evaluated in terms of their relative costs and effectiveness for providing useful dropout statistics that would fulfill a requirement in P.L. 100-297 for an "annual national survey of dropout and retention rates."

The feasibility study of a household survey of children to obtain dropout statistics would be a telephone survey of persons aged 14-21 years old in households. The household survey is designed to obtain information on the number and rate of persons who drop out during a specific 12-month period, as well as the number and percent of persons in this age range who are not in school and have not completed high school or received alternative certification, such as a GED. The survey would also collect information on characteristics of the children and their families to relate to the probability that a person will drop out of school.

The only current source of annual information on dropouts is the Current Population Survey (CPS), conducted by the Bureau of the Census. The CPS, however, does not provide accurate information about dropout numbers and rates for minority groups or specific grades, because the sample size is too small. The proposed household survey would enable the Center to monitor dropouts for different race and ethnic groups and for individual ages on an annual basis.

Because of concerns about the proposed household survey's ability to obtain accurate dropout statistics, the feasibility study will be done to provide a careful assessment before any large-scale household survey is undertaken. First, household surveys in general tend to have rather serious problems with coverage of minority populations. Second, the population most at risk of dropping out may not be well covered in a survey of households with telephones. The feasibility study is designed to collect information and make adjustments for these problems, but the household survey approach for obtaining dropout statistics, while promising in the information that it would yield, must be carefully analyzed to ensure it provides accurate statistics.

The Center is also considering developing a school-based study to provide annual statistics on the number and rate of dropouts from the school population, as an alternative to the household survey in the event it does not prove feasible. This approach is at an earlier developmental phase, but it would most likely provide similar information on the demographic characteristics of students as well as more information on school contexts associated with different droput rates.

ELIMINATION OF FOREIGN LANGUAGE RESEARCH CENTER

Question: Dr. Finn, I think most people would support your 1989 proposal to create a new research center to study the problems of disadvantaged and at-risk students. But I'm concerned by reports that you're planning to close an existing language research center to finance the new center. I understand that the existing language center conducts research on teaching students with limited English proficiency and on foreign language instruction. It seems to me that these are pretty important areas to study. You've asked for a significant budget increase. Why wouldn't funding for the center on disadvantaged students come from new money rather than from the elimination of an existing center that researches important issues?

Answer: The Government awarded the Center for Language Education and Research (CLEAR) a three-year contract. Drawing on external reviewers' assessments of the quality of the second and third years of research and development activities, we decided to fund an optional fourth year at a reduced amount. In doing so, we sought to complete as much of the ongoing research and development activities at the existing center as possible.

In coming to the decision to exercise the fourth year option at a somewhat reduced level of funding, we considered the investments made by other units of this Department. The Office of Bilingual Education and Minority Languages Affairs (OBEMLA) supports activities that overlap with many CLEAR-supported activities. For example, OBEMLA provides approximately $3.6 million a year for projects and evaluations to increase our knowledge of limited English proficient students and the instruction they receive.

Sixteen multi-functional resource centers are also supported by OBEMLA, at a total of $10 million in fiscal year 1988. The centers conduct training activities as well as provide technical assistance, primarily to local educational agencies. They are linked through a national network to the National Clearinghouse on Bilingual Education to ensure effective coordination and to prevent duplication of effort. The centers provide assistance for all of the language groups in their regions.

OBEMLA supports projects for developing curriculum materials that are not available commercially. In fiscal year 1988, $250,000 is devoted to projects with this focus.

In our view, a substantial duplication existed between OBEMLA's various undertakings in research, evaluation, and technical assistance and the existing work of CLEAR. Given the national concerns for a variety of research issues in education, we chose to propose programmatic research in a variety of areas, including funding the center on disadvantaged students.

RESEARCH ON TEACHER EVALUATION

Question: Dr. Finn, your budget proposes two new research centers, one on disadvantaged students and one on civics and citizenship. We have been approached about funding a third new center -- one that would focus on teacher performance evaluation. It seems that most of your research efforts regarding teachers deal with "inputs" -- how to train teachers, how to teach particular subjects -- rather than ways to measure the quality of the "output." Please tell us what research you are presently conducting on teacher evaluation and give us your reaction to establishing a research center in this area.

Answer: A number of our past and present efforts to measure and to improve teacher outputs are referred to in response to questions from Senator Harkin. Lack of funds preclude us from addressing this topic in 1989, but OERI has proposed to mount a major study of teacher evaluation systems in 1990. Our focus will be on validating teacher performance measures, determining how teachers can best acquire such performance skills, and exploring how schools can use teacher evaluation to upgrade day-to-day teacher performance. We envision this effort as a collection of research grants, each taking a somewhat different approach to evaluating teacher performance.

NATIONAL ASSESSMENT OF EDUCATIONAL PROGRESS

Question: Dr. Finn, at your request, we provided almost a 50 percent increase in funding last year for the National Assessment of Educational Progress. This year you are asking for another substantial increase -- 25 percent. About half of the funding you request for the National Assessment ($4.4 million) would be used for the developmental work on a 1990 test of a State-specific assessment. The 1990 test would assess one subject -- mathematics -- in one grade. The 1989 funds you request would be used for meetings with States and for the creation and field testing of the assessment. Since the State-specific test wouldn't be conducted until 1990, isn't $4.4 million a rather hefty price tag for planning activities?

Answer: In order to have an assessment conducted in the winter and spring of 1990, it is necessary to develop the assessment in 1988 and 1989. Funds in 1989 will be used to develop the instruments, field test them, evaluate the results of the field test, and revise the instruments, as well as engage in planning activities. All of these activities are required for both the national assessment and the State-specific assessments. In 1989 approximately $3.0 million of the $5.0 million grant we have in place with Educational Testing Service (ETS) to develop the 1990 national assessment will be used for these development and field testing activities. (The remaining $2.0 million will go to analyze and report the 1988 national assessment.)

Although we are requesting approximately $4.4 million in addition to the $5.0 million for the grant that we currently have in place with ETS for 1989, not all of those additional funds will be used for planning and field testing the 1990 State trials in mathematics. Of the $4.4 million figure, approximately $1.5 million will be spent on conducting the field test and developmental work specifically targeted to the State-specific assessment in 1990. Of the remaining $2.9 million, $950,000 will be budgeted for the National Assessment Governing Board, $1.4 million will be spent on additional development for the National Assessment program, and $550,000 will be spent on validation and evaluation studies to ensure and improve the quality of the National Assessment as required by the Hawkins-Stafford Amendments.

LABS AND CENTERS

Question: To what extent are individual labs and centers under the Education Research and Statistics account dependent on Federal funds to conduct their work?

Answer: Three distinct patterns emerge regarding the source of funds for national research centers. Some receive almost all of their funding from the Federal Government; some receive substantial funding from other sources; and some are smaller centers under a large center that receives substantial outside support.

The degree to which the regional education laboratories depend on Federal funds varies from lab to lab. The percentage of each lab's total budget that represents Federal funds is as follows:

Appalachia (AEL) 91%
Far West (FWL) 80%
Mid Continent (McREL) 93%
North Central (NCREL) 99%
Northwest (NWREL) 81%
Northeast (NE/IS) 99%
Mid Atlantic (RBS) 88%
Southeast (SEIL) 95%
Southwest (SEDL) 78%

Question: To what extent do the labs and centers follow Federal priorities and objectives, and to what extent do they follow their own objectives, independent of Federal control?

Answer: The Federal Government establishes mission areas that guide the research of each center. During the competition for the centers, applicants may fine-tune these mission statements, but the basic nature of the mission statements remains intact. Applicants submit proposed research projects that address these missions. The applications are evaluated by peer reviewers outside the Federal Government.

Each of the laboratories has a governing board, which represents the various constituencies in the region. The boards establish priorities for the laboratories to meet the needs of their regions. For those programs that are supported through Federal funds, the boards establish the priorities within the Federal priorities established for each program.

QUESTIONS SUBMITTED BY TOM HARKIN

CENTER ON TEACHER EVALUATION

Question: Why is it that the Office of Education Research and Improvement has centers for research on teaching, on curriculum, on program evaluation and many other things but has virtually neglected teacher evaluation.

Answer: While it is true that OERI does not have a research and development center focused specifically on teacher evaluation, we certainly have not neglected this topic. A major study in this area was the Beginning Teacher Evaluation Study conducted at the Far West Regional Educational Laboratory under the support of OERI. OERI also funded the national study by the Rand Corporation of teacher evaluation approaches, carried out by Arthur Wise, Linda Darling-Hammond, and Milbrey McLaughlin. The Rand Corporation has also recently completed another study on teacher evaluation for our Center for Policy Research in Education. Further, the work of our National Center for Research in Teacher Education on the nature of teachers' knowledge is also highly relevant to teacher evaluation.

Question: Why is there no center for teacher evaluation to help those who wish to reward and encourage quality performance in the classroom? Does the office of Educational Research and Improvement think it is not important? Or has it simply overlooked it in the larger scheme of things?

Answer: OERI certainly does believe that the general area of teachers and teaching, including teacher evaluation, is an important topic, and is addressing it in a variety of ways. For example, OERI supports the Educational Resource Information Clearinghouses, which are designed to provide information to educators. The Clearinghouse on Teacher Education, run by the American Association of Colleges of Teacher Education, has compiled an annotated bibliography on teacher evaluation with 242 entries. OERI also supports the regional laboratories to prepare materials and conduct workshops for practitioners. Currently, OERI is funding a substantial project on teacher assessment at the Northwest Regional Educational Laboratory, as well as a number of teacher-focused projects at other laboratories. Finally, there are two research and development centers devoted to teachers and teaching -- the National Center for Research on Teacher Education at Michigan State University and the Center for Research on the Context of Secondary School Teaching at Stanford University. We believe that through all these efforts the many issues and problems associated with teachers and teaching are being investigated and analyzed.

Question: Given the importance of the activity as well as the recent development in the center for vocational education, shouldn't we consider funding a center for teacher evaluation?

Answer: The research and development center we have proposed is to focus primarily on the teaching and learning of citizenship and civics, areas we believe are critical in preparing students to be responsible members of this society.

However, we are also concerned about the principal's role in teacher evaluation. OERI supports a major project at the Southwestern Educational Development Laboratory designed to assist principals in this undertaking. Also, the School Leadership Center we are now competing may well have projects on evaluating teachers, as this is a crucial leadership function.

Question: What can I do to help you make certain such a center is established in the very near future?

Answer: I doubt that there is a consensus of professional opinion that a performance evaluation center is a pressing need. While it is indeed an important educational concern, there are many educational topics worthy of further research and development.

This topic will be given full consideration in our planning for the 1990 research and development center competitions. A large number of researchers, practitioners, and policymakers will be involved in helping us to define the general research agenda and the specific missions we intend to support through the center mechanism at that time. We intend to begin this planning in the fall of 1988 to ensure broad input, and we welcome your involvement.

QUESTIONS SUBMITTED BY SENATOR LOWELL P. WEICKER, JR.

ADJUNCT CLEARINGHOUSES

Question: I'd like to ask you about "adjunct clearinghouses", which your agency is creating. I had my staff go back to last year's budget justification to see if you requested any money for this initiative. You didn't. But I understand that you are planning to spend $100,000 this year to establish some of them. And although there's nothing in the FY 1989 budget request, I also understand that you intend to create even more of these units next year. This Committee doesn't have much information about these adjunct clearinghouses. Why is there no mention of them in your budget justification to Congress?

Answer: OERI has not included adjunct clearinghouses in its final 1988 and 1989 budgets because of overall budget limitations. However, OERI will try to support the establishment of ERIC adjunct clearinghouses through other means. For instance, we will encourage Department of Education clearinghouses and information centers that are not currently a part of the ERIC system to become ERIC adjunct clearinghouses, and we will encourage foundations or other organizations to support adjunct clearinghouses. OERI may request some funds for adjuncts in future years.

Question: What is the purpose of these adjunct clearinghouses?

Answer: Adjunct clearinghouses are designed to increase access to education information by bringing into the ERIC system non-ERIC clearinghouses and information centers. Adjunct clearinghouses will actively search for and acquire documents for the ERIC database, and will provide services to users throughout the Nation in the adjunct's scope area. Adjunct clearinghouses will benefit by receiving ERIC materials, technical assistance, and referrals, and by being described as a part of the largest education information system in the world.

LIBRARIES

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

PROPOSED LIBRARIES LEGISLATION

Question: Your budget proposes to replace existing library programs with three new programs intended to promote (a) access to libraries for the disadvantaged, (b) resource sharing among libraries, and (c) research. You request slightly more than half the funding we provided for library programs in 1988. I'm a little perplexed by your proposal for a couple of reasons.

First, if you wanted to shift the focus of library programs to resource sharing, why didn't you simply request more funding for the two existing programs--Interlibrary Cooperation and College Library Technology--whose mission is to promote resource sharing? Wouldn't that be more effective than a new legislative proposal that Congress is unlikely to consider because the library programs aren't up for reauthorization?

Answer: We are not shifting the entire focus of our program to resource sharing. Funds are also being requested for services to the disadvantaged and for research and assessment--three high-cost areas that represent, in our view, an appropriate and needed Federal role. Over the course of the last several years, the existing authorizations for library programs have become embellished with long lists of purposes and stipulations that add administrative burdens and cloud the programmatic focus. The new legislative initiative is designed to better target the Federal dollar. Regarding your question on more funds for resource sharing, our budget does indeed request more funding for resource sharing under title II of the proposed legislation than is appropriated under current programs.

Question: Second, if you're serious about this proposal, why wouldn't you request a credible level of funding for it? We have to question the Department's commitment to the concept when it is accompanied by almost a 50 percent funding cut.

Answer: The fact that the Administration proposed a new library initiative at all should speak to the seriousness of our intentions. As indicated in the testimony, in a time of severe budget restrictions, it is our responsibility to ensure that every Federal dollar is focused on areas of authentic national need such as research and assessment, library services to the disadvantaged, and resource sharing. Our new initiative provides more funding to some of these critical areas than is currently appropriated by Congress.

EVALUATION OF PUBLIC LIBRARY SERVICES PROGRAM

Question: The last major study of the title I, Library Services and Construction Act program was published in 1981 and focused on program activities in fiscal year 1978. Might it not be appropriate to initiate a new evaluation of this program in order to obtain more current information on its activities and effects, especially in view of the "technological revolution" that has substantially changed library operations and priorities since 1978?

Answer: The Department of Education is in the process of developing its evaluation agenda for 1989 and 1990, and the need for evaluating the library programs will be considered against other competing needs.

NEED FOR PUBLIC LIBRARY CONSTRUCTION FUNDS

Question: For fiscal year 1988, how many requests for public library construction aid have been denied by the States due to a lack of sufficient funds?

Answer: Since the Public Library Construction program, authorized by title II of the Library Services and Construction Act, is State administered, the Department receives reports from the States only on funded projects.

Question: What are the total State estimates of need for public library construction assistance?

Answer: The Department does not collect statistical data on public library construction needs.

QUESTIONS SUBMITTED BY SENATOR LOWELL P. WEICKER, JR.

NEED FOR PUBLIC LIBRARY CONSTRUCTION FUNDS

Question: In each of the last two years, approximately how many requests for public library construction aid have been denied by the States due to a lack of sufficient funds?

Answer: Since the Public Library Construction program, authorized by Title II of the Library Services and Construction Act, is State administered, the Department receives reports from the States only on funded projects.

Question: What are the total State estimates of need for public library construction assistance--a program you would again eliminate?

Answer: The Department does not collect data on public library construction needs.

Question: For what specific types of construction needs have the fiscal year 1988 Public Library Construction funds been used--how much for new construction, renovation to accommodate new technologies, provision of accessibility to the handicapped, asbestos removal, energy conservation, and other purposes?

Answer: Fiscal year 1988 funds are being used for the following purposes: 60 percent for the construction of new buildings; 30 percent for remodeling or renovation to accommodate new technologies, to provide access to the handicapped, and to increase energy efficiency; and 10 percent for other purposes such as building additions, acquisition costs, and architectural fees.

Question: To what extent would these construction needs be met if Federal aid were not available?

Answer: The Administration has stated repeatedly that the construction of libraries is a State and local responsibility. If Federal aid were no longer available, it would be up to the States and localities to set priorities for spending State and local dollars.

LIBRARY LITERACY PROGRAMS

Question: Your budget for fiscal year 1989 would eliminate the $4.8 million Library Literacy Program. As I understand it, you receive about twice as many proposals as can be funded each year. I am aware of the very excellent program conducted by the Bridgeport, Connecticut, library as a result of this funding which targets primarily low-income, minority, single parents for basic literacy services so they can enroll in regular adult education or graduate equivalency degree programs.

This program leverages a significant amount of volunteer and non-Federal support. Isn't this a very successful and relatively inexpensive way of providing for community-based literacy efforts? Why would you eliminate it?

Answer: For fiscal year 1989, the Administration has proposed legislation that would restructure and refocus Federal support for libraries. Under Title I of the Library Improvement Act, the development and implementation of literacy programs would be an allowable activity. Rather than eliminating support for literacy programs, we are incorporating it into our new program.

LIBRARY CAREER TRAINING

Question: You consistently maintain in your budget documents that "there no longer exists a critical shortage of professional librarians" and that "the supply of librarians through 1990 would exceed the demand." Thus, you again have proposed eliminating funding for the Library Career Training program. On what information do you base this assertion that there is and will be an adequate supply of librarians?

Answer: Our information is based on a study conducted by King Research, Inc., for the Department of Education and released in 1982. That study, "Library Human Resources: A Study of Supply and Demand," projected that the supply of librarians through 1990 would exceed demand.

Question: Are you familiar with a Department of Labor publication called the "Occupational Outlook Handbook"? Are you aware that the 1988-1989 edition refutes your assertion by indicating that there indeed is a growing shortage of trained librarians? I quote page 120 of this handbook: "....A larger than average proportion of librarians are now at or will reach retirement age through 2000, thus creating many openings...." and "The number of graduates in library science has dropped to half the level of the mid-1970's." The American Library Association reports severe shortages of children's libraries. At the same time, you urge all children to get and use library cards.

Answer: We are familiar with the Occupational Outlook Handbook. In the near future, we intend to reassess the condition of the Nation's public libraries. The study will include an examination of staff needs. Nonetheless, our proposed legislation provides for retraining library personnel to meet specific needs and is allowable under both Titles I and II.

SPECIAL INSTITUTIONS

STATEMENTS OF:

DR. JAMES E. CHEEK, PRESIDENT, HOWARD UNIVERSITY

DR. CARSON Y. NOLAN, PRESIDENT, AMERICAN PRINTING HOUSE FOR THE BLIND

DR. WILLIAM E. CASTLE, VICE PRESIDENT FOR GOVERNMENT RELATIONS, ROCHESTER INSTITUTE OF TECHNOLOGY; DIRECTOR, NATIONAL TECHNICAL INSTITUTE FOR THE DEAF

DR. I. KING JORDAN, PRESIDENT, GALLAUDET UNIVERSITY

WELCOMING REMARKS

Senator CHILES. Now, we'll have a panel of special institutions, Howard University, American Printing House for the Blind, National Technical Institute for the Deaf, and Gallaudet University. We are pleased to have with us the leaders from the independent institutions that receive Federal funding through the Department of Education. Present today are Dr. James Cheek, the President of Howard University; Dr. Carson Nolan, the President of American Printing House for the Blind; Dr. William Castle, Director of the National Technical Institute for the Deaf at Rochester Institute of Technology; and Dr. Jordan, President of Gallaudet University.

Dr. Jordan, we are especially pleased to have you here for your first appearance before our subcommittee, and we applaud the milestone that your presidency represents.

Dr. Cheek, why don't you start us off, and if you'll summarize for us, we'd appreciate it.

HOWARD UNIVERSITY

STATEMENT OF DR. JAMES E. CHEEK

Dr. CHEEK. Thank you very much, Mr. Chairman. I express my appreciation to you and members of the committee for the opportunity to appear before you on behalf of Howard University.

The university is seeking a total appropriation of $175.6 million in fiscal year 1989 and a reappropriation of $500,000 for the endowment program. The only increases in our request are to be found in $444,000 for the academic program and $3.5 million for the matching endowment program assuming that the matching endowment program is reauthorized. All of the other categories in our budget are at the same levels as fiscal year 1988.

PREPARED STATEMENT

That concludes the summary, Mr. Chairman.

Senator CHILES. Thank you.

[The statement follows:]

STATEMENT OF JAMES E. CHEEK

It is my distinct privilege and pleasure to appear before you on behalf of the Department of Education to present the 1989 Federal appropriation request for Howard University.

The university is seeking a total appropriation request of $175.6 million in fiscal year 1989 and, in addition, a reappropriation of $500,000 for the endowment grant program. I will now explain the funding request for each of our budget components.

ACADEMIC PROGRAM

To continue support of the Academic Program, the university is seeking a total of $146.2 million, which represents a $444,000 increase above the 1988 level. This request will be augmented by a tuition increase of 15 percent for undergraduates, 13 percent for graduate students, and approximately 14 percent for students in professional programs in the 1988 fall semester. Additional efforts to increase non-Federal revenues have been made through an enhanced development fundraising program.

ENDOWMENT PROGRAM

We are requesting $3.5 million for the matching endowment program in fiscal year 1989. In addition, we are proposing reappropriation language to extend the availability of up to $500,000 of 1988 funds for the endowment grant. We are encouraged that proposed legislation will be forthcoming from the Department that will provide for increased matching for our endowment funds. This will facilitate our fundraising efforts and enhance our ability to attract non-Federal support.

RESEARCH

The university is seeking $4.8 million for the research component of its appropriation, which is the same amount received in fiscal year 1988. This component of our request has enabled our young faculty members to begin research activities early in their careers and has enabled Howard University to provide its academic programs with much needed research equipment and laboratories. These research funds are very supportive in the graduate and professional programs of the university.

HOWARD UNIVERSITY HOSPITAL

The 1989 budget request for Howard University Hospital is $21.1 million, the same amount as appropriated in fiscal year 1988. However, this level is less than the amount which the Congress has funded for 10 of the last 12 years.

I would like to take this opportunity to express the deep appreciation of the Howard University community to the committee for its support in past years and to express our desire for your continuing support in future years.

I will be happy to answer questions, Mr. Chairman, that you or members of the committee may present concerning our request.

AMERICAN PRINTING HOUSE FOR THE BLIND

STATEMENT OF DR. CARSON Y. NOLAN

Senator CHILES. President Nolan?

Dr. NOLAN. Mr. Chairman, this year our request is $5,381,000. Of this amount, $4,912,000 is directed toward the provision of educational materials to blind children in this Nation; $137,000 is directed toward administration of the act; and $342,000 is directed toward educational and technical research to promote the provision of materials.

That concludes my statement.

Senator CHILES. Thank you, sir.

[The statement follows:]

STATEMENT OF CARSON Y. NOLAN

The American Printing House for the Blind was chartered by the Commonwealth of Kentucky in 1858 for the nonprofit manufacture of books and other materials for use by the blind. In 1879, the Congress passed an Act to Promote the Education of the Blind which, as amended, now enables the Printing House to provide educational materials for all blind students below college level throughout the United States, its territories, and possessions.

The total request for 1989 for this program is $5,381,000, an increase of $105,000 over that appropriated for 1988. Legislation has been proposed to terminate the permanent appropriation of $10,000 provided in lieu of interest income from the small trust fund established by the 1879 statute. To compensate for the elimination of the permanent appropriation, an offsetting increase of $10,000 has been added to the fiscal year 1989 request. Accounting and budget tasks at the Federal level alone almost equal the amount of this appropriation, which is less than one-fifth of one percent of the annual appropriation for the Printing House. The total request will provide approximately 35 percent of the Printing House's total budget.

Educational Materials

Of the funds requested for fiscal year 1989, $4,912,000 will be used to supply an estimated 44,400 blind students with special educational materials. This number represents an increase of 1,100 students over fiscal year 1988. Of the 44,400 blind students, 40,400 would be enrolled in grades twelve and below and 4,000 are enrolled in adult programs. The per capita allotment for fiscal year 1989 is $110.63.

Advisory Committees

The 1989 request includes $137,000 for expenses for Advisory Committees. This budget category covers the expenses of the two Advisory Committees which determine what books will be published and what other new materials will be developed. But more importantly, it covers the cost of informing teachers and administrators about what materials are available, how they may be obtained, and how they are to be used, as well as the cost of the annual census of blind students conducted each January.

Educational and Technical Research

Approximately $342,000 will be allocated in 1989 for educational and technical research. These funds will serve as a base to enable the Printing House to develop needed educational materials in a variety of subject areas such as reading, low vision training, and microcomputer applications, and products for special groups such as the multihandicapped blind and preschool blind.

The American Printing House continues to serve a growing and complex group of blind students who require many different kinds of educational materials. It is not yet clear how this group may be affected by the new Grants for Infants and Families program or changes in the Preschool Grants program implemented as a result of the Education of the Handicapped Act Amendments of 1986.

As of January 1987, 35,037 legally blind students were registered through State Departments of Education, 4,379 were enrolled in residential schools, 1,370 were enrolled in programs for the multihandicapped, and 2,359 were enrolled in rehabilitation programs. Among these, 5,176 read braille, 14,257 were visual readers, 7,442 were auditory readers, 3,588 were prereaders, and 12,682 were nonreaders.

The American Printing House uses its own funds to maintain a finished good inventory of $3.5 million to ensure timely delivery of special materials to educational programs.

In the last 12 months, significant progress has been made in a number of areas. Some of these are as follows:

(1) The APHB-Central Automated Resource List has been put into operation. This nationally accessible computerized database lists educational materials available from a variety of sources in the United States. Of equal importance, it allows eligible persons to monitor their Federal accounts with APHB directly by telephone. This includes placing orders, checking account balances, and other critical functions. Currently, 50 agencies subscribe to this system, and this number is growing rapidly.

(2) The new computerized system for conducting the annual census is fully operational. During recent months, the capabilities of this system were extended to accommodate an increased variety of types of microcomputers, thereby enabling use by a greater number of ex-officio trustees.

(3) Development of microcomputer related materials continued.

a. Education related software adaptation has resulted in availability of increasing numbers of both instructional and utility programs.

b. Distribution was started of the Speakqualizer, a device which provides synthetic speech capability to the IBM family of personal computers without using the microcomputer memory.

c. Development of the Pocketbraille was completed. This small, highly portable, braille notetaking device allows users a wide array of interactions with microcomputer equipment in the classroom and on the job.

(4) Handi-Cassette, a new small player-recorder especially tailored to the needs of the blind, was introduced.

(5) A new set of materials to promote fine motor development in very young blind children was produced.

As before, we continue to make steady progress in meeting the educational needs of blind children.

Mr. Chairman, I will be glad to answer any questions concerning the budget request.

BIOGRAPHY OF CARSON Y. NOLAN

POSITION : President

BIRTHPLACE AND DATE : Indianapolis, Indiana, October 21, 1925

EDUCATION : University of Kentucky, 1950, B.S. and M.A.
Washington University, 1953, Ph.D.

EXPERIENCE

PRESENT : President, American Printing House for the Blind
Louisville, Kentucky

1976-1979 : Vice President and General Manager
American Printing House for the Blind
1958-1976 : Director, Department of Educational Research
American Printing House for the Blind
1960-1972 : Adjunct Associate Professor, Department of Psychology, University of Louisville
1956-1958 : Research Scientist, Human Resources Research Office, Fort Knox, Kentucky
1953-1956 : Director, Field Unit 1, Air Force Personnel and Training Research Center, Forbes Air Force Base, Kansas

ASSOCIATION MEMBERSHIP : American Association of Workers for the Blind
Association of Education of the Visually Handicapped
The Council for Exception Children

PUBLICATIONS : Over 100 professional monographs, chapters, and articles

NATIONAL TECHNICAL INSTITUTE FOR THE DEAF

STATEMENT OF DR. WILLIAM E. CASTLE

Senator CHILES. President Castle?

Dr. CASTLE. Thank you, Mr. Chairman.

To summarize, the President's request for the National Technical Institute for the Deaf shows a level of $32,031,000 for operations, which is an increase of $628,000 over our current level for operations. It also includes $1 million for the special endowment fund, which is $809,000 more than the amount in the fiscal year 1988 appropriation. This represents a 2-percent increase over the fiscal year 1988 appropriation, but we do not consider it to be as much as we need in order to maintain current services.

[The statement follows:]

STATEMENT OF WILLIAM E. CASTLE

I am pleased to present the President's 1989 budget request for the National Technical Institute for the Deaf.

The National Technical Institute for the Deaf at the Rochester Institute of Technology (NTID at RIT) was created by Congress to provide postsecondary technical education for the Nation's young deaf people to prepare them for successful employment, NTID trains professional staff to serve the Nation's deaf population and conducts research into educational cognition, communications, and economic and employment aspects of deafness. The 1989 President's request for the National Technical Institute for the Deaf is $33,031,000 which includes $1.0 million to support an endowment matching grant program.

The specifics of the fiscal year 1989 request follow:

Operations

The fiscal year 1989 request of $32,031,000 for operations, which includes funds for services to students, research, training, and information dissemination, increases funding by 2 percent over the 1988 appropriation level. The funds raised by NTID for tuition, room, board, and fees are expected to increase by 3 percent over 1988. The Federal subsidy will constitute 83 percent of total funding in 1988. The rubella epidemic of 1964-65 doubled the incidence of babies born deaf throughout the United States during that period. The epidemic caused NTID's admissions to increase from a norm of 375 to a high of 587 in fiscal year 1984. Admissions declined to 479 in fiscal year 1985, 414 in fiscal year 1986, and 376 in fiscal year 1987. However, admissions for fiscal year 1988 grew by 11 percent and remained above the pre-rubella norm at 419. At the same time, enrollment grew from a normal pre-rubella level of nearly 1,000 to 1,260 in fiscal year 1984 and 1,319 in fiscal year 1985. It then dropped slightly to 1,296 in fiscal year 1986, 1,288 in fiscal year 1987, and 1,245 in fiscal year 1988. For the fall of 1988, NTID will admit an estimated 400 new students. This will result in an enrollment level of 1,225 students which is 23 percent over pre-rubella levels.

The 1989 request for operations would support academic programs in the areas of career development, research training, and information dissemination.

Career Development

The education provided at the National Technical Institute for the Deaf transcends that which is typically provided by a traditional technological institution by dealing with personal/social and communication setbacks that the deaf may experience. Through a coordinated system of direct instruction and support services such as tutoring, notetaking, instructional technology development, and career counseling, the Institute strives to offer educational programs geared to the specific needs of each student. This approach has proven highly successful since historically more than 90 percent of our graduates who seek employment have been placed in jobs within eighteen months of their graduation.

Research

NTID will continue to support applied research in the technical and general education of the deaf population. Research is conducted in the areas of speech, audiology, manual communication, visual information processing, use of the English language, personal/social accommodation, cognitive strategies, career development and decisionmaking, educational support services, instructional technology, the characteristics of NTID's target population, and the accommodation of graduates in the workplace. NTID will also focus a major effort on reporting of NTID proven products, procedures, and systems which have broad-based impact on other organizations with deaf education responsibilities.

The primary focus on NTID's research efforts has not deviated from the direction set forth in the 1965 Department of Health, Education, and Welfare report on the education of the deaf.

NTID has already received a number of benefits from its research efforts and as a result, students are leaving NTID better prepared for their future. In addition, research findings which can provide assistance to professionals and educators working with the deaf will continue to be disseminated through workshops and publications.

Training

Continued emphasis will be placed on training programs for professionals, graduates, interns, counselors, job placement specialists, and interpreters. In 1982, NTID began an associate degree program for interpreters which has expanded from 15 to about 60 students per year. Training efforts at the Institute have increased significantly recently and will continue to increase as the existing programs are revised and refined, and as other educational institutions look to NTID for guidance in developing programs to comply with Public Law 94-142 and Section 504 of the Rehabilitation Act of 1973. Preservice training for teachers of the deaf will continue in conjunction with the University of Rochester, and inservice training will be provided through faculty exchange, internships, and fellowships.

Information Dissemination

NTID will continue sharing educational techniques and processes, research findings, and training techniques with other educational programs for the deaf.

Among other products for dissemination, the award winning quarterly publication "Focus" is currently distributed to more than 17,000 professionals in deaf education, business, and government, providing them with a greater awareness and appreciation of the capabilities of our Nation's deaf citizens. Also, our product catalogue, featuring NTID-produced research and teaching materials, has received an outstanding response.

Endowment Grant

One million dollars is requested for the endowment matching fund recently authorized by the Education of the Deaf Act of 1986. NTID will receive these funds as it raises additional endowment funds from non-Federal sources on a dollar for dollar matching basis. In addition, the Institute can spend up to fifty percent of the income derived from the investment of the funds for operating purposes. The use of the endowment approach is an important step toward decreasing NTID's dependence on Federal funding in future years.

Summary

In summary, the 1989 request is designed to continue the National Technical Institute of the Deaf's commitment to the achievement of equal opportunity for handicapped persons. In the Institute's brief history, it has been shown that young deaf adults can overcome the consequences of their handicap, become contributing members of society, and vastly improve the quality of their lives. On the pragmatic side, recent collaborative research between NTID and the Internal Revenue Service shows that graduates of NTID pay back the cost of their education in 10 to 13 years and have lifetime earnings that are two to three times greater than deaf persons with no degree.

Mr Chairman, I will be pleased to answer any questions you may have.

BIOGRAPHY OF WILLIAM E. CASTLE

POSITION : Vice President for Government Relations, Rochester Institute of Technology, Director, NTID

BIRTHPLACE AND DATE : Thomas, South Dakota - September 5, 1929

EDUCATION : Northern State Teacher College - 1951, B.S.
State University of Iowa - 1958, M.A.
Stanford University, 1963 - Ph.D.

EXPERIENCE :

PRESENT : Vice President, Government Relations - RIT
Director - NTID

Sept. 1979 : Vice President, RIT
Director - NTID
1977-1979 : Dean and Director, NTID
1969-1977 : Dean, NTID
1968-1969 : Assistant to the Vice President & Director of Division of Instructional Affairs, NTID
1965-1968 : Associate Secretary for Research and Scientific Affairs, American Speech and Hearing Association
1963-1965 : Assistant Professor, Speech Pathology & Audiology, University of Virginia

1961-1963 : Instructor, Speech Correction, Central Washington State College
Summer 1961 : Instructor, Speech Correction, Central Washington State College
1960-1961 : Instructor, English, Experimental Phonetics Lab, Stanford University
1958-1960 : Instructor, Speech Correction, St. Cloud State College
Summer 1956 : Customers Broker, Frank P. Dow Company
1952-1956 : Communications Specialist, United States Air Force Base
1951-1952 : Secondary Teacher, English & Speech Faulkton High School

ASSOCIATION MEMBERSHIPS : Academy of Rehabilitative Audiology
Acoustical Society of America
Alexander Graham bell Association for the Deaf, Inc.
(Life Membership - currently serve as Past President)
American Association for the Advancement of Science
American Association of Community and Junior College
American Association of Higher Education
American Association of Phonetic Sciences
American Association of School Administrators
American Deafness and Rehabilitation Association
American Speech-Language-Hearing Association
Association for Equality and Excellence in Education, Inc.
Association on Handicapped Student Service Programs in Postsecondary Education
Conference of Educational Administrators Serving the Deaf, Inc.
Convention of American Instructors of the Deaf
Council on Education of the Deaf
GeVa Theatre
International Association of Parents of the Deaf, Inc.
International Society of Phonetic Sciences
Monroe County Association for Hearing Impaired
Nathaniel Rochester Society
National Association of the Deaf
National Organization on Disability
National Organization for Women
National Rehabilitation Association
New York State Association of Junior Colleges
New York State Speech and Hearing Association
Opera Theatre of Rochester
Registry of Interpreters for the Deaf
Rochester Museum and Science Center
Rochester Museum and Science Center
Rochester Philharmonic
Smithsonian Institution
Telecommunications for the Deaf, Inc.
World Federation of the Deaf

PUBLICATIONS:

Castle, W.E. "Mainstreaming Techniques for Hearing Impaired Students - What Ten Years Have Taught Us." Presented at the First Annual Conference of the Massachusetts Office on Deafness - October 1978

Castle, W.E. "Roads to Independence." Presented at the West Coast Family Outing of the Alexander Graham Bell Association of the Deaf - November 1978

Castle, W.E. "Recent Developments in Vocational Education for the Deaf in the U.S.A." Presented at the 8th World Congress of the World Federation of the Deaf, Varna, Bulgaria - June 1979

GALLAUDET UNIVERSITY

STATEMENT OF DR. I. KING JORDAN

Senator CHILES. All right, sir.

Dr. Jordan?

Dr. JORDAN. Thank you, Mr. Chairman.

I am happy to be here today as the eighth President of Gallaudet University. Also with me in the audience is the chairman of our board, Mr. Phil Bravin.

My full testimony, I assume, will be inserted into the record. Is that correct?

Senator CHILES. That's correct.

Dr. JORDAN. Thank you very much.

The administration request for us is for $62,463,000 plus $1 million for the endowment program.

[The statement follows:]

STATEMENT OF I. KING JORDAN

I am very pleased to come before you today as the eighth President of Gallaudet University. As you are no doubt aware, the events of the last few weeks are unprecedented in the history of Gallaudet and of the deaf community in the United States and around the world. I believe that these circumstances have reenergized our campus community and have refocused our understanding of our mission. That mission, simply put, is to provide the best possible higher education to deaf students in our university programs, to provide the best possible national demonstration programs in our elementary and secondary schools, to be the world leader in research related to deafness, and to conduct outreach and advocacy programs to improve the lives of deaf people. Our focus, in the near term, will be on excellence in all of our programs. On this auspicious occasion, I also wish to express my deep appreciation, and the appreciation of deaf people everywhere, to the Congress of the United States for the support it has given Gallaudet University during the past 124 years. I am confident that, as we enter a new era at Gallaudet, that support will be continued and strengthened.

I come before you today in support of the Administration's budget request for Gallaudet University. I also take this opportunity to express my personal views on several issues, including certain recommendations of the Commission on the Education of the Deaf.

Gallaudet for many years aspired to become a distinguished special university, and the Congress has helped us to achieve that goal. Already, Gallaudet has demonstrated that it is an institution of international scope. We draw our students from a select group of college-bound deaf students from all fifty States as well as from many other countries. We serve the outreach needs of a growing proportion of organizations and individuals who interact with and on behalf of deaf people, and we operate the world's leading center for research to improve the quality of life for hearing-impaired people of all ages and degrees of hearing loss.

In addition to the events at Gallaudet during the past several weeks, another milestone in the history of deaf education has recently been reached. The public law that created Gallaudet University also established a national Commission on Education of the Deaf. That Commission has now completed its work. While providing guidance to the field of deafness, the report of the Commission also contains recommendations to the Congress that, if adopted, would severely constrain Gallaudet's role in the international arena and as the world's leader in research related to deafness. Although I have already addressed those recommendations before the authorizing committees of both Houses of Congress, I believe that it is essential that I address them here as well. I firmly believe that Gallaudet cannot continue to fulfill its role as the distinguished special university serving deaf people unless we are allowed to continue as the international leader in higher education of deaf people and unless we continue to conduct a full panoply of research programs related to the vital needs of the world deaf community. I ask you to join me today in reaffirming Gallaudet's mission to be the world leader in the education of deaf people and in recognizing the appropriateness of locating such a world leader in the capital of the world's greatest nation.

During the past year, much attention has been focused on Gallaudet's tuition structure. We are cooperating with the Department of Education in a study of the costs associated with educating international students and in establishing appropriate tuition for them. In this regard, I would like to draw your attention to two things: first, Gallaudet's traditional role in providing higher education for the world deaf community; second, our traditional association with land grant institutions in establishing tuition for U.S. deaf students. This association was noted by our founder, E.M. Gallaudet, when he first sought Federal support for the National College for the Deaf more than 100 years ago: "I felt justified in asking such action of Congress in view of the liberal grants of land to the States under the Agricultural Colleges Act, from the benefits of which the deaf youth of the country were shut out."

In focusing on the vital role that Gallaudet plays in furthering the interests of deaf people, it is inevitable that I should address the needs of the people who are the University--namely, Gallaudet's faculty and staff. In fiscal year 1988, Gallaudet University received a reduction in the amount of its appropriation that was devoted to current operations. This reduction came at a time when our President and Board had made a commitment to the faculty to return them to parity in compensation with their peers at other local universities. We have attempted to meet that commitment to our faculty in 1988. However, we are concerned that we will again fall behind at the end of fiscal year 1988 in our compensation programs to faculty and staff. We have begun an intensive review of programs and services. One of the purposes of this review will be to find permanent funding for the fiscal year 1988 increases. To assist in this effort, I ask that you grant the request for additional funds contained in the Department of Education's fiscal year 1989 budget. These funds are vitally needed if we are to retain our highly trained faculty and staff.

University Programs

The focus in our University programs in fiscal year 1989 will be upon excellence—excellence in teaching and excellence in student performance. This will be the guiding principle for our comprehensive review of programs. We will attempt to provide the most cost-effective programs possible without sacrificing the level of quality that has brought us high rankings in national surveys of college and university presidents.

In addition, in fiscal year 1989 we will focus on program development in two major areas. The deaf population of the United States has long been underserved by social service and mental health professionals trained to serve deaf people. Gallaudet proposes to launch two new graduate programs designed to help correct this deficiency: A Master's degree in Social Work and a Ph.D. program in clinical psychology. During coming months we will be studying the feasibility of establishing these programs given the current constraints on our funding level and the need for compensation improvements for all of our faculty and staff.

In the areas of research and outreach, I am committed to programs designed to meet the needs of expanding constituencies. Gallaudet will continue to seek funding for expansion of these programs from sources other than Federal appropriations. However, I firmly believe that in order for Gallaudet to maintain quality programs in these areas on an ongoing basis, we need to retain a funding base rooted in our appropriation.

Model Secondary School for the Deaf and Kendall Demonstration Elementary School

A unique feature of Gallaudet University is the existence of its two pre-college programs—the Model Secondary School for the Deaf (MSSD) and the Kendall Demonstration Elementary School (KDES). Both schools continue to develop exemplary instructional programs, conduct research and develop and disseminate materials for both mainstream and residential school settings. The GAO recently completed a study of the national mission of these schools which revealed a high level of satisfaction among the users of educational products developed by MSSD and KDES.

Endowment Matching Program

Under my administration, Gallaudet remains committed to increasing the proportion of funding that comes from sources other than direct appropriation. The endowment matching program has proved very useful to us in convincing potential donors to support us financially, and during the first year of its existence we were able to match the available funds. We look forward to the continuing challenge of increasing our endowment funds.

Fiscal Year 1989 Budget

The budget request of $63.5 million for Gallaudet University includes an increase for operations of $1,225,000. These funds will be used primarily for compensation improvement programs. Also requested is an increase of $43,000 in the endowment matching program that would bring it to the $1 million authorized in the Education of the Deaf Act of 1986.

Mr. Chairman, I thank you for this opportunity to come before you today, and I welcome your questions.

BIOGRAPHY OF I. KING JORDAN

POSITION	:	President, Gallaudet University
BIRTHPLACE AND DATE	:	Glen Riddle, PA - June 16, 1943
EDUCATION	:	University of Tennessee, 1973, Ph.D. Psychology University of Tennessee, 1971, M.A. Psychology Gallaudet College, 1970, B.A. Psychology

EXPERIENCE
(Gallaudet)

Present : President, Gallaudet University, Washington, D.C.

1986-3/7/88 : Dean, College of Arts and Sciences

1983-1986 : Chair, Department of Psychology

1982-1988 : Professor of Psychology

1977-1982 : Associate Professor of Psychology

1973-1977 : Assistant Professor of Psychology

HONORS AND AWARDS : Faculty Member of the Month, Gallaudet University Student Body Government, 1987.

United States Comptroller General's Award, 1987.

Outstanding Young Men of America, 1975.

National Defense Act, Title IV Fellowship, University of Tennessee, 1973.

University of Tennessee Non-Service Fellowship, 1971.

Graduated "With Distinction," Gallaudet College, 1970

Phi Alpha Pi Honorary Society, 1969.

ALUMNI CONTRIBUTIONS TO HOWARD UNIVERSITY

Senator CHILES. Thank you.

Dr. Cheek, between 1986 and 1987, alumni contributions to colleges and universities rose almost 30 percent to a record $8.5 billion. I understand that the total voluntarily given to Howard in 1987 was $6 million. However, the universities that you regard as your peer institutions received anywhere from 5 to 33 times as much as that. And I also understand that about 10 percent of the living Howard alumni contributed.

Again, I've talked to you about this before, as you know, with your pool of distinguished and successful alumni, why aren't you able to collect more than this relatively modest amount?

Dr. CHEEK. Mr. Chairman, we are victims of circumstances of history which we are seeking aggressively to overcome and correct. Those circumstances are: One, a perception among the alumni and the giving public in the private sector that Howard University is a Federal institution and, therefore, receives all of the funds that it needs through the Federal appropriation. We have been attempting to correct that misperception throughout my tenure.

The other problem that we face is one that, unfortunately, I regretfully have to acknowledge is characteristic of those institutions that serve primarily or predominantly black students. You will find that if you were to compare the giving level for the 42 institutions of the United Negro College Fund, you would come up with pretty much the same kind of discrepancy that you cited with respect to Howard.

I should note that we have started to rearrange my activities in order to enable me to spend more of my time in cultivating the alumni for annual giving, and we are now in the process of establishing an annual alumni giving fund. And I hope to be able to show in 1 year a rather significant alteration in the picture than we've had in the past.

Senator CHILES. Well, I know it's difficult. I'm delighted to hear that you're changing some of your efforts at this time because, knowing many of your very distinguished alumni, it seems to me they would benefit, as well as Howard would benefit, if they would see fit to put back something for the education and the push that they received. And I find that's true of most people. And it certainly would be helpful for building the strength of your institution.

PRIORITY OF BUILDING PROJECTS AT HOWARD UNIVERSITY

We've been told of some of the pressing financial needs at Howard, among them funding for faculty salaries and library acquisition facilities. In fact, I understand that some of these needs are so acute, at least one of your professional schools has been warned that it may be put on probation by an accrediting agency. Given that kind of tight budgetary situation, I was surprised to learn of some of the projects that Howard undertook last year. For example, the football stadium was outfitted with new seating and artificial turf, and a $60 million apartment complex is being constructed next to the campus, and a 22 acre campus was purchased for the divinity school.

How did you select those projects as high priorities when you have these other needs, and how are they financed?

Dr. CHEEK. I will start with the apartment facilities. Howard University has no facilities at all for graduate, married, or professional students. More than financial aid, the reason given by students who are admitted to Howard for not accepting our offer of admission is the university's inability to provide affordable housing under university control. Unless we take aggressive measures to provide housing for graduate students, married students, and professional students, we will have profound negative impacts on our enrollment in those areas. It is simply a fact of life in Washington and the metropolitan area that affordable housing for students is disappearing.

We were able to finance that, Mr. Chairman, through the issuance of tax exempt revenue bonds at a very favorable interest rate, and because that is a revenue-producing project, the revenue derived from rentals will fully amortize the debt service as well as the cost for maintaining that facility. So, that was absolutely necessary to augment our efforts with respect to our enrollment.

It is very interesting that you mention the stadium because you have indicated in your first statement your concern about alumni giving. I think one of your colleagues on this committee, Senator Hollings, would tell you—and his views are on the record—that for reasons which I do not quite understand, one of the fastest ways of developing alumni interest and alumni financial support is the development of an outstanding intercollegiate athletic program. I am one of those who believes that the two are not incompatible; that is, excellence in scholarship and excellence in intercollegiate athletics are not mutually exclusive.

The investment in the stadium was undertaken with a loan which will be repaid through the proceeds derived from gate receipts. That project was selected, again, as a part of our effort in stimulating outstanding alumni support. And I must say it has already started to show some results.

TASK FORCE ON REVENUES AND EXPENDITURES AT HOWARD UNIVERSITY

Senator CHILES. Well, 1 year ago a university-appointed task force presented recommendations to you for ways to increase revenues and reduce expenditures. As I understand it, the university has implemented only one of those recommendations and that was appointing an executive vice president.

Would you describe the other recommendations of the task force and the steps you are taking to implement them? And we'd also appreciate it if you would share with the committee a copy of the task force report.

Dr. CHEEK. You wish me to present that to be included in the record?

Senator CHILES. Yes, sir.

Dr. CHEEK. Mr. Chairman, I need to correct the record. It was not the recommendation of the task force that we create the position of executive vice president. That was a recommendation made in 1974 by Arthur D. Little & Co., and we decided to implement the position of executive vice president in order to free the president to be able to devote more time to private sector fundraising.

Senator CHILES. All right, sir. I have some additional questions that I will ask you for the record.

[The information follows:]

IMPLEMENTATION OF TASK FORCE RECOMMENDATIONS

The fiscal policy review task force was appointed by the President of the university as a mechanism for him to receive recommendations concerning the university's fiscal policies and operation from the members of the administrative cabinet and the director of the office of university computing services. I have received those recommendations in a report dated March 30, 1987.

I am currently studying the recommendations. I may accept, modify, or reject them. Once I have completed my review, the Department of Education will be notified of the disposition of the recommendations of this internal task force.

The fiscal policy review task force report is an internal working document that is subject to revision and my review. Once the document is finalized, with an implementation schedule, the completed report will be made available.

ADVANCED TECHNOLOGIES AT APHB

Senator CHILES. Dr. Nolan, there's a growing interest in Congress in supporting the development of assistive technology to improve the quality of life for handicapped persons. I know traditionally the printing house has focused on braille materials. Recently you are developing materials which use microcomputers and other technologies.

Describe your current research and production activities involving these advanced technologies, and give us your sense of the printing house's role in the movement to expand assistive technology.

Dr. NOLAN. Mr. Chairman, I would like to indicate that the printing house's activities go far beyond braille. Persons who read braille represent only 12 percent of the population we serve among the legally blind. We have always provided a broad array of material, including textbooks in braille, large type and recorded form, references of various kinds in all those media, special tools that blind students use in school and blind persons use in vocations, special teaching aids that are used in the classroom to teach concepts in other areas in the curriculum, and other special supplies.

Recently we have been heavily involved in microcomputer applications to education. Our activities have focused on several areas. Initially, we started off to assist the schools in making blind students computer literate, knowing about computers and how to use them. To that end, we have created special instructional materials to teach computer keyboards. We also publish computer manuals in braille and large type and other materials of this kind.

A second area that we have been interested in is making computers more accessible to blind students, whether in school or on the job. We have focused our efforts on making computers talk. The printed material that appears on the screen is not perceptible to many visually impaired people. To have direct access, they have to have a spoken output. Through the generation of both software and hardware, we have increased the usefulness of computers by making them speak more widely. By that I mean making different kinds of computers speak and also increasing the quality of speech and the ability of the user to control it.

Another area that we have been involved in is the development of software. Our software development takes two directions. On the one hand, we're adapting commercially available instructional materials in the curricular areas so that blind students can use them. On the other hand, we're developing and distributing what are called utility programs, programs that enable the blind to make the computer accomplish certain tasks. Word processing, for example, is a big area in which utility programs are directed.

One of the most recent things we have done in the computer-related area is to develop a device called the pocket braille which is a braille note-taking device. It's a small box that contains 264 K of memory. It has a braille keyboard. It is silent as opposed to other writing means that the blind use. It is highly portable. Blind individuals can use it to take notes in their classroom or in their business meetings. This information is stored in the memory of this device, and it can be outputted in a variety of ways. The device will speak the information. It can be connected with a number of peripherals so that the information stored in the device can be printed in braille. It can be translated and printed in print. There are a number of ways in which the individual can access the information that he records.

Another recently developed device is a small cassette player/recorder called a handi-cassette. It is much smaller than the cassette players now available to blind persons which record and play in the four track fifteen-sixteenths IPS format and makes recording a much more useful and convenient means for the persons who need to use it.

That's just a sampling of the kinds of things that we do, Mr. Chairman.

HELMET SENSOR TECHNOLOGY RESEARCH

Senator CHILES. Are you aware of some studies that are now being—or really a project that Johns Hopkins is involved with in their institute with NASA having to do with sort of the helmet technology of trying to use sensors?

Dr. NOLAN. Yes, sir; we follow all of that research.

Senator CHILES. My understanding is when they get into production, that that would be fairly expensive.

Dr. NOLAN. It should be a useful application in special instances.

Senator CHILES. Are you able now with the money that you have, to meet the needs that are out there for people that need these kinds of assistance?

Dr. NOLAN. No, sir; we are not. And the situation is becoming worse.

PERCENT OF BLIND STUDENTS SERVED AT APHB

Senator CHILES. What percentage are you serving and how do you select who gets something and who doesn't?

Dr. NOLAN. We estimate that APHB serves 98 percent of the blind student population. The process is this. Each year in January we take an annual census of legally blind students in the 50 States and several possessions of this country who are enrolled in formal educational programs. Using this number as a base, we take the amount of our appropriation dedicated to provision of educational materials, divide that total amount by the number of students and arrive at a per capita amount. This is allocated to the States on the basis of the number of the students they have.

The problem is that the level of the appropriation has failed to accommodate the increasing number of students who must be served. For example, in 1980 the per capita amount was $131. Projected for 1989, the per capita amount is going to be just under $111. That's $20 per student, or 16 percent less.

While the appropriation has increased by over 26 percent since 1980, the number of students has also increased by one-third. Accumulated inflation since that time has been in excess of 50 percent. We estimate that it would take $190 per student today to buy the same amount of educational materials that $131 bought in 1980. So, we have a problem in that the amount available for each student is steadily diminishing both in terms of its actual amount and in terms of its purchasing power.

STATE SUPPLEMENTS TO THE BLIND

Senator CHILES. Well now, how much do the States on average supplement this $110 that you give to the States?

Dr. NOLAN. It varies widely. Some States supplement it substantially. Other States supplement it very little. It depends on many factors, including what is available from other sources.

Senator CHILES. Do you have figures on that basically of the States?

Dr. NOLAN. No, sir; we do not.

Senator CHILES. You do not.

Dr. NOLAN. Not on the States' supplement. We know, of course, what we assign to the States.

Senator ~~CHILES.~~ Funds also come under the Education of the Handicapped Act. How do those funds mesh, or what percentage are you funding and what are they doing?

Dr. NOLAN. Those funds are used to buy materials from us in addition to those that are provided under this act.

Senator CHILES. Do they buy those materials from you?

Dr. NOLAN. Yes; with cash provided by those funds.

Senator CHILES. How much materials are bought with those funds, or how much of those are spent?

Dr. NOLAN. We have no means of determining from the amount of cash sales that we achieve each year where the funds come from. They come from a variety of sources. But it is not possible for us to identify the specific sources and the relative amounts.

CASH SALES AT APHB

Senator CHILES. Well, how much cash sales do you make as compared to what the Federal Government does?

Dr. NOLAN. Well, our total cash sales were over $12.6 million in 1986, including the $5 million from the Federal appropriation. Now, not all of those were for education. Many of those sales were to individual blind persons who wanted to acquire devices for their own use or vocations or for recreation or whatever

Senator CHILES. So, about $7.5 million.

Dr. NOLAN. Yes, sir.

Senator CHILES. But you don't know how much of that comes from the States and how much comes from the Federal Government.

Dr. NOLAN. We have no way of knowing how much is for educational purposes.

Senator CHILES. How much money did you send to the States?

Dr. NOLAN. We send them the amount each year appropriated under educational materials. For example, for 1989 that amount would be $4,912,000.

Senator CHILES. That's $4,912,000, and then you made $7.5 million in sales in addition to that.

Dr. NOLAN. Yes, sir.

NUMBER OF STUDENTS SERVED BY APHB

Senator CHILES. Now, what is the percentage of the students that you have now as to 1980?

Dr. NOLAN. We have 33 percent more than we had in 1980. In 1980 we had about 34,000, and we anticipate 44,000 in 1989.

Senator CHILES. You have about 44,000?

Dr. NOLAN. Yes.

Senator CHILES. And you're saying your appropriations have not kept up with inflation or the number of students?

Dr. NOLAN. That is correct.

Senator CHILES. Have you asked for more money? Is this because OMB has cut you back?

Dr. NOLAN. Well, we are constrained by the Department of Education budget, and we talk to them, of course. But we have to fall within their guidelines.

Senator CHILES. So, they give you a guideline of what you can do.

Dr. NOLAN. That's correct.

ACADEMIC HEALTH EDUCATION CENTER AT NTID

Senator CHILES. Dr. Castle, in addition to the regular Federal appropriation for the National Technical Institute for the Deaf, last year we also provided $1.7 million for the construction of an academic health education center. That facility is intended to integrate academic health and counseling activities for hearing impaired students.

I understand the Federal share of the cost of the facility is not to exceed 50 percent. Tell us where you stand on raising funds to match the Federal share and give us your sense of the student services that will be provided by the facility.

Dr. CASTLE. Yes, sir; the facility that is conceived is essentially one that will cost about $10 million. The Rochester Institute of Technology, which is the host institution, in its campaign efforts has already raised twice the amount of the $1.7 million but has not yet reached the $10 million level. At such time as the $10 million level is achieved, they will begin to put the building in place.

The services that will be housed there will be recreational in large part. In terms of the academic health education center itself, that will include the counseling center, the NTID psychological service, and our substance abuse center for deaf individuals.

NATIONAL CONSORTIUM FOR LOW-ACHIEVING DEAF STUDENTS

Senator CHILES. I understand, Dr. Castle, that about 70 percent of the hearing impaired students who graduate from high school do not go on to college. They have between a second and third grade reading level and because they don't have the skills to compete in the labor market, they suffer high rates of unemployment. Yet, these low-achieving deaf graduates have few options for improving their situation through postsecondary education if they're not college material.

You've proposed the creation of a national consortium to develop rehabilitative education for these low-achieving deaf students. Tell us how this consortium would provide actual education and training service for this population and who would provide the financing for these services.

Dr. CASTLE. We have endeavored to be positively responsive to some specific recommendations that have come forth from the Commission on Education for the Deaf and also to be responsive to some particular interests of Members of the House of Representatives who are interested in expanding career options and services to the low-achieving deaf population.

So, 1½ years ago, NTID took the initiative to reorganize what is known as the Council of Directors. This is made up of six individuals: the directors of the four regional postsecondary programs for the deaf, the President of Gallaudet University and the Director of the National Technical Institute for the Deaf. The Council of Directors would serve as a primary steering committee for moving forth with strategies to improve career opportunities for the entire postsecondary deaf population of the country, and those who are not able to go to postsecondary programs of the kind that we direct.

The interest here is to begin to have an impact on the low achieving deaf by providing them opportunities within existing facilities for vocational education, which opportunities are not there for them now. We would hope that within the second year we would serve as many as 600 deaf individuals and have an indirect impact on another 3,000 people, such as educators, employers, parents, health professionals, and others.

We're hopeful that Congress will provide some of the funding for the postsecondary consortium, but we do not expect that Congress would provide all the funds. As we move forward with the concept, we would be seeking private monies as well.

Senator CHILES. Well, I know the institute is interested in getting foreign students as a way to maintain enrollments. Wouldn't it make more sense to use that excess capacity for these students that we're talking about?

Dr. CASTLE. The students we are talking about would not survive in the environment of the Rochester Institute of Technology. It is our basic assumption that their training will have to occur in another kind of environment, and that training we would like to foster.

LEVEL OF TUITION AT GALLAUDET AND NTID

Senator CHILES. Dr. Jordan, I was surprised to learn that the tuition for Gallaudet will be only $2,800 in 1989, 3.7 percent above the 1988 fee. And I know that by agreement tuition fees will be the same at the National Technical Institute for the Deaf.

I'd like to ask both you and Dr. Castle why is your tuition fee so low. Is there evidence that deaf students come from households with lower average incomes than hearing students, or that enrollment will drop if you raised tuition?

Dr. JORDAN. We have tied our tuition rates to those of the national land grant colleges and universities. We have increased tuition $350 a year for the last 5 years. And it will increase $100 more next year. We currently rank in the fourth quartile when compared to national land grant colleges and universities. We think that our tuition is very reasonable and very fair, sir.

Senator CHILES. Well, I understand it is reasonable. I'm trying to determine whether there is a reason for it being lower or as low as it is because the parents can't pay more or should we be charging more?

Dr. JORDAN. I haven't done any research to look into that question, to be frank with you, but I think the Department of Education is looking at that. When we talk about tuition alone, it sounds very low. When you include fees, room and board, then it amounts to nearly $7,000 a year which I think is expensive, if you look around the country.

Dr. CASTLE. May I add to this response? It was at the request of this Senate Appropriations Committee in 1969 that the Department of Health, Education, and Welfare established a special task force to do an analysis of tuition between NTID and Gallaudet University. The recommendation of that task force at that time was that the two institutions should maintain tuition at the same level and that it be equal to the average land grant tuition each year.

So, each year Gallaudet and NTID have gotten together to search out what that average land grant college tuition was, and then establish tuition accordingly. However, about 6 years ago when Federal funding became more restrictive, the two institutions decided that we should raise the tuition by $350 a year for 5 years in a row, with the goal to reach the 75th percentile of land grant tuition across the country.

SUBSIDIZED TUITION FOR FOREIGN STUDENTS AT GALLAUDET

Senator CHILES. Dr. Jordan, I understand that Gallaudet enrolls about 200 students from foreign countries, about 10 percent of your total student body. The tuition that they are charged covers about 18 percent of the average educational cost per student. I'm told about one-half of these foreign students come to Gallaudet from Canada.

If these students wish to take advantage of the excellent facilities that we have developed at Gallaudet, why shouldn't we expect their governments to finance the full cost of their education? Then you could use the funds that have subsidized their tuition to increase faculty salaries or meet other needs of the university.

Dr. JORDAN. Yes, sir; at your request last year we submitted a report to the Department of Education related to international students at Gallaudet University, and that was forwarded to you recently—I think May 6—by Secretary Will. Appended to that was her letter analyzing the report from the Department of Education's view.

We charge a 20-percent surcharge, or 20 percent more, to foreign students than we do to American students. We are now looking into ways to perhaps go back to the 50-percent surcharge for foreign students. We're looking at other ways to seek additional funds from students. We don't think, sir, that we provide a direct subsidy to international students. I want to make it very clear that we have never turned away American students to use the spaces for foreign students. We accept virtually all American students who are qualified and apply and seek to be admitted. We then admit foreign students up to the level we can serve.

Senator CHILES. Well, I think that is very good. It just seems to me, though, that we don't have to have the same tuition rate for foreign students. We can recognize that when the Government is subsidizing Gallaudet, we're doing it basically for our students. I can see you wanting to keep your classrooms full.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

We are in a vote now and I'm going to have to leave. We will have some other questions to submit for the record.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

HOWARD UNIVERSITY

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

FOREIGN STUDENTS

Question: Dr. Cheek, according to your budget justification, in 1985, foreign students made up 19 percent of Howard's total student body, with higher percentages in particular disciplines. What percentage of your student body was made up of foreign students last year?

Answer: Foreign students comprised 17 percent of Howard's total student body in academic year 1987-1988.

Question: Do foreign students pay the same tuition as American students?

Answer: Howard University does not differentiate between the tuition paid by our American and foreign students.

Question: What percentage of the total cost of educating a foreign student is covered by the tuition he pays?

Answer: The cost of educating a student at Howard University varies depending on the schools and colleges in which the student is enrolled. In some of our schools or colleges where the market dictates higher faculty salaries, the cost per student is necessarily on the high side. In other schools with equipment-intensive programs (e.g., engineering, communications, etc.), the cost per student would be higher than it would be to educate a student in, for example, the School of Human Ecology where such equipment costs are not incurred.

Howard's tuition and fees are set to partially offset the cost of a student's education. This is the same for most institutions of higher education. Currently, tuition and fees represent approximately 20 percent of the overall University budget.

Question: Why should the Federal Government be subsidizing foreign students with American tax dollars?

Answer: The majority of the foreign students enrolled at Howard come from underdeveloped countries. Many of these nations have favorable relationships with the United States. Over its 120 years of existence, Howard has enjoyed a national and international reputation for excellence. This, in part, has been due to its academic record and the fact that it has not arbitrarily or capriciously imposed a quota system for any class of students, irrespective of race, creed, or national origin.

BOND FINANCING FOR CONSTRUCTION

Question: Dr. Cheek, I know the University has identified several million dollars' worth of construction needs to renovate aging facilities and to meet accrediting standards. I understand that you have $45 million in unused bond issuing authority for the

District of Columbia. I assume you are considering using this authority to finance your construction needs.

Please tell us more about your plans for bond financing and when they would be implemented.

Answer: Under the Howard University Revenue Bond Act of 1986, the University is authorized to issue $112,000,000 in tax-exempt bonds. In May 1987 the University issued a $67,150,000 revenue bond for the purpose of constructing housing for graduate and professional students and University staff. The debt service on this bond is to be covered by the rental income from the units. The security for this indebtedness, as well as any future indebtedness under the Bond Act authority, is tuition and fee revenue.

The University is concerned that its construction needs and priorities and its ability to issue bonds under the Bond Act be kept in perspective. None of the critical construction projects provided to the Department and Congress is revenue producing, and, unlike the $67 million bond issued, none would require a direct restriction on the use of tuition and fee revenue. Further, the amount in additional bonds the University may issue is limited because the Bond Act sets the maximum annual debt service at 25 percent of the University's total tuition and fees.

The University is developing a construction financing plan as part of its fiscal year 1990 budget submission in cooperation with the Department of Education.

Question: Have you consulted with the Connie Lee people about the prospect of obtaining default insurance for your bonds?

Answer: The University presently has a municipal bond guaranty insurance policy through the Municipal Bond Investors Assurance Corporation (MBIA) for its $67 million bond issue. As we proceed with our construction financing bond issue plans, Connie Lee and other federally supported programs are being studied to assess their ability to provide long-term default insurance in order to assure the fiscal integrity of the University.

1987-1988 OPERATING BUDGET

Question: Please provide a copy of the latest operating budget, including expenditures and sources of revenue for Howard University.

Howard University
Budget 1987 - 1988

REVENUE	
Tuition and Fees	$48,639,620
Federal Appropriation	146,124,000
Federal Grants and Contracts	26,500,000
State and Local Gifts and Grants	9,000
Private Gifts and Grants	220,000
Endowment Income	700,000
Sales and Services-Educational Departments	9,256,500
Sales and Services of Auxiliary Enterprises	8,705,650
Other Sources	2,070,200
Total Revenue Budget	$242,224,970
EXPENDITURES AND MANDATORY TRANSFERS	
Educational and General:	
Instruction	$94,787,330
Research	27,665,960
Public Service	10,762,189
Academic Support	14,713,622
Student Services	9,879,450
Institutional Support	44,300,284
Operation and Maintenance of Plant	25,532,912
Scholarships and Fellowships	6,378,866
Educational and General Expenditures	$234,020,613
Mandatory Transfers For:	
Principal and Interest	2,011,400
Loan Fund Matching Grant	4,000
Total Educational and General	$236,036,013
Auxiliary Enterprises	6,188,957
Total Expenditures and Mandatory Transfers	$242,224,970

PRIORITY CONSTRUCTION AND OTHER NEEDS

Question: What is Howard University's single highest priority construction need? Does this rank above the need for increased funding for faculty salaries and student assistance?

Answer: The University's needs in the areas of construction, faculty salaries and student assistance are all critical. We have presented to the Department of Education a list of our six priority construction projects. It is important that funding be secured for these projects since the buildings are needed to correct outstanding accreditation deficiencies, provide accommodations for students and thereby increase our enrollment, and provide for a state-of-the-art instructional environment in those disciplines which have been woefully neglected due to a lack of funding.

In regard to faculty salaries, it is a matter of record that faculty salaries at Howard University rank below the mean in comparison with the average of Private Independent, Category 1 Universities as published by the American Association of College and University Professors. The adequate compensation of Howard University faculty has been and continues to be a top priority.

With 70 percent of Howard students receiving financial aid from various sources and with 53 percent of our fall 1987 freshman class reflecting family income under $40,000, the issue of student assistance is a critical one at Howard University. It is an issue which we cannot deemphasize or trade off funding considerations when assessing our other critical funding needs.

COSTS OF TUITION, FEES, AND ROOM AND BOARD

Question: Please provide a listing of the costs of tuition, fees, and room and board at Howard University for 1984-1988.

Answer:

Howard University
Student Tuition and Fees
1983-84 - 1987-88

	1983-84	1984-85	1985-86	1986-87	1987-88
Tuition - Undergraduate	$2,400	$2,700	$3,000	$3,500	$3,900
Tuition - Graduate	2,400	2,900	3,400	4,100	4,600
Tuition - Law	2,900	3,400	4,000	4,000	5,300
Tuition - Dentistry	3,100	3,700	4,300	5,100	5,600
Tuition - Medicine	3,700	4,500	5,300	6,350	7,000
Room Charge (Average)	947	1,140	1,200	1,350	1,550
Board Charge (19 Meal)	1,482	1,475	1,514	1,514	1,514
University Fee	150	150	150	150	150
Student Activity Fee	65	65	65	65	65
Health Fee	130	130	150	200	230
Graduation Fee	50	50	50	100	100

DISTRIBUTION OF AVERAGE FRESHMEN HOUSEHOLD INCOME

Question: Please provide the distribution of average household income for incoming freshmen at Howard University.

Answer: Data below are reported by 881 freshmen who enrolled at Howard University for fall 1987:

Average Freshmen Household Income

Less than $6,000	2.8%
$6,000 - $9,999	3.6%
10,000 - 14,999	6.1%
15,000 - 19,999	6.5%
20,000 - 24,999	6.5%
25,000 - 29,999	9.0%
30,000 - 34,999	10.2%
35,000 - 39,999	8.3%
40,000 - 49,999	11.8%
50,000 - 59,999	9.4%
60,000 - 74,999	11.1%
75,000 - 99,999	6.1%
100,000 - 149,999	3.7%
150,000 - or more	2.7%

QUESTIONS SUBMITTED BY SENATOR LOWELL P. WEICKER, JR.

HOWARD UNIVERSITY HOSPITAL

Question: I have had long-standing concerns about the level of Federal support for the Howard University Hospital. Why is the Howard University Hospital's fiscal year 1989 request of $21.1 million below the fiscal year 1987 level?

Answer: The Department has requested level funding for the Hospital each year since fiscal year 1980. However, during congressional action on the fiscal year 1988 appropriation, the level of funding for the Hospital was reduced by 4.26 percent to meet the terms of the Bipartisan Budget Agreement.

Question: What percentage of the Hospital's total operating revenue does the appropriation represent?

Answer: In 1989 we estimate that the appropriation would be 10 percent of our gross patient revenue.

Question: What was the percentage 10 years ago?

Answer: In 1979 the appropriation was equal to 37 percent of our gross patient revenue. In 1984 the appropriation was 19 percent of our gross patient revenue.

Question: To what extent have various Hospital programs suffered as a result of this declining share of Federal support?

Answer: If we consider recent periods only (1982 to present), the decline in Federal support has led the Hospital to curtail its efforts in several areas. Medical service delivery programs in Early Child Intervention, Child Development, Cancer Screening, Sickle Cell, and adolescent outreach programs have been curtailed or eliminated. Programs in geriatric care, adult day care, home health care, community based drug intervention, and community based hypertension programs have not been started, despite the community need. Replacement of medical equipment used to support the education and service programs have been frequently deferred. With the change to national diagnosis-related group (DRG) rates in August 1988, the Hospital will have to face major reductions in its programs and staff. Since the Federal support aids the entire Hospital operation, major cuts in core academic and service programs will be inevitable throughout the next two years. Medical care provided to patients without the ability to pay will have to be altered. Those patients with the greatest need will be hurt most deeply.

"ABILITY TO BENEFIT" PROPOSAL

Question: Do you admit students to Howard if they do not have a high school diploma but based on the "ability to benefit"?

Answer: No, Howard University requires a high school diploma or General Education Development (GED) Certificate as one of the criteria for admission to undergraduate programs.

"ABILITY TO BENEFIT" EFFECT ON PELL GRANT RECIPIENTS

Question: How many of those receive Pell Grants and would therefore not be eligible for such aid based on the Administration's proposed elimination of the "ability to benefit" provision for Pell Grant eligibility?

Answer: Since Howard does not admit students under the "ability to benefit" provision, the proposed elimination of this provision would not affect current Pell Grant recipients.

AMERICAN PRINTING HOUSE FOR THE BLIND

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

EARLY CHILDHOOD MATERIALS

Question: Dr. Nolan, your budget justification indicates that you anticipate increased demand for your materials as a result of the new Early Intervention Program in Handicapped Education. Early Intervention provides services to children from birth through age two.

Please describe the type of institutional materials and technology that you might provide to this young age group.

Answer: Students in this group can use a wide variety of our materials. For example, they can listen to materials played on our cassette player-recorders. We have several materials that help develop basic use of the five senses: sight, hearing, touch, smell and taste. We also have a wide variety of materials to promote early motor development. Near the age of two, children can begin using materials designed to promote better functional use of vision. In addition, we have a priority on the development of new materials for children in this age group.

Question: Have any States that provided services to infants and toddlers prior to the creation of the Early Intervention Program obtained your instructional materials for them?

Answer: Prior to the Early Intervention Program, the Education of the Handicapped Amendments of 1983 expanded the Preschool Incentive Grants Program to allow provision of services to children from birth through age two in addition to children aged three through five already served by the program. APHB materials have been used in past years by all States that have served children aged birth through two through this program.

OPERATING BUDGET FOR FISCAL YEAR 1988

Question: Please provide a copy of the latest operating budget, including expenditures and sources of revenue, for the American Printing House for the Blind.

Answer: APHB's 1988 operating budget is as follows:

Sales	$12,209,645
Cost of Sales:	
Cost	9,525,362
Excess of Cost Over Sales Values	(268,143)
Labor Variances	---
Overhead Variances	(99,194)
Inventory Adjustments	152,200
Overhead Rate Change	---
Total Cost of Sales	9,310,225
Gross Profit on Sales	2,899,420
Operating Expenses:	
Marketing	$178,324
Shipping	453,654
Circulation	152,646
Administrative	2,026,275
Research	16,402
Total Operating Expenses	2,827,301
Net Profit (Loss) Before Other Income	72,119
Other Income and Expenses	61,200
Net Income	133,319

APHB's sources of revenue are the following:

Source of Sales:

Federal Appropriation	$5,131,483	42%
National Library Services	2,655,190	22%
Other Federal Agencies	475,164	4%
Contracts and Cash Sales	3,947,808	32%
Total	12,209,645	100%

NATIONAL TECHNICAL INSTITUTE FOR THE DEAF

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

ENDOWMENT MATCHING GRANTS

Question: Dr. Castle, in our 1988 appropriations bill, we provided $191,000 to the Institute for the matching endowment fund. I understand that you have already matched almost that entire amount, as the result of a fundraising campaign started some months ago in anticipation of the Federal grant.

This year the Department requested $1,000,000 for your endowment fund. Do you expect to be able to raise that amount of money in the next eighteen months? If not, by how much will you be able to increase your 1989 fundraising over the 1988 total?

Answer: The Institute does not believe that it would be able to raise the entire $1,000,000 in fiscal year 1989. NTID projects that it will be able to raise a total of between $200,000 to $300,000 during fiscal year 1989.

Question: As the old adage goes, "It takes money to make money." Do you feel you have invested enough in your endowment development activities -- generating a donor base, publicizing the mission of the Institute, etc. -- so that you can fully exploit the potential donor pool?

Answer: NTID currently employs only one development officer. According to NTID, that person has informed them that they need to spend considerably more in time and resources to establish an effective donor base. They are considering a mass mailing proposal for 1989, pending availability of funds for mailing costs and staff to run the campaign. They are also conducting personal visits and establishing a major gift program.

NTID recognizes that it takes money to raise money and also takes time and commitment. However, they have not taken significant steps to raise funds, aside from the establishment of the major gifts program. NTID only has the services of a single development officer. Gallaudet, which is much more successful, has over 20 people devoted to fundraising and 10 years of experience in this field. While NTID has only just begun, the Rochester Institute of Technology (RIT) has an extraordinary record in fundraising, and has been particularly successful in establishing endowments. We recognize that RIT has discouraged NTID from conducting fundraising in the past. However, now that RIT has endorsed participation of NTID in the Federal Endowment Matching Grant program, we anticipate that NTID should be able to take advantage of this ready resource of fundraising experience.

REVENUE AND EXPENDITURES TABLE

Question: Please provide a copy of the latest operating budget, including expenditures and sources of revenue, for the National Technical Institute for the Deaf (NTID).

Answer: NTID's budgeted expenditures for fiscal year 1988 are as follows:

Personnel	$21,531,000
Institutional Services (dormitory, food, security, grounds, etc.)	12,444,000
Capital (equipment and building maintenance	220,000
Contract Services (utilities)	921,000
Other (professional fees, travel, supplies, etc.).	2,787,000
Total expenditures	37,903,000

NTID's sources of revenue for fiscal year 1988 are as follows:

Federal Appropriation for Operations	$31,403,000
Non-Federal Funds (Tuition, Room, Board and Fees).	6,500,000
Total Operations Revenue	37,903,000
Federal Appropriation for Endowment	191,000

QUESTIONS SUBMITTED BY SENATOR TOM HARKIN

PRESIDENT'S BUDGET REQUEST

Question: The Administration proposes a 3 percent increase to the National Technical Institute for the Deaf, which would allocate for fiscal year 1989, $32,631,000. Do you feel this level of funding is adequate?

Answer: The President's budget request for fiscal year 1989 is $33,031,000. This represents an overall increase of approximately 5.2 percent over 1989. The request level includes $32,031,000 for operations and $1,000,000 for endowment matching grant funds. The increase for operations over fiscal year 1988 is $628,000 or 2 percent. For 1989, we are particularly constrained by the overall restrictions of the 1988 budget negotiations. The increase proposed by the Department is in keeping with the spirit of those negotiations. There are always more projects and ideas available than can be funded within the constraints of the budget. NTID may use these funds to address their highest priority needs.

In fiscal year 1988, across-the-board reductions in appropriation levels resulted in a 4 percent decrease in the operating budget for the National Technical Institute for the Deaf (NTID). NTID was able to meet this level because of a scheduled reduction of 10 personnel positions, management of staff turnover, and a reduction in funds available for adjunct faculty. [illegible] addition, the Institute eliminated certain plans for capital expenditures, cut back physical plant service levels, and reduced allocations for supplies, professional development, travel, and equipment maintenance and repair.

For fiscal year 1989, the Institute plans to increase faculty and staff salary to levels established by the Rochester Institute of Technology, NTID's host institution, for its staff. RIT is providing a salary increment of 5.5 percent coupled with a benefit increase of 1 percent of salary. NTID estimates that this would require $1,400,000 above the 1988 level. The Institute anticipates that RIT charges to NTID related to the cost of operating the dormitories and food service facilities for students, utility and maintenance services, administrative, and other services provided by RIT will increase by 5 percent requiring an additional $600,000.

It is understandable that NTID desires to maintain compensation levels on par with the Rochester Institute of Technology. The location of the NTID campus at RIT would lead faculty and staff at NTID to compare themselves to their nearest neighbors. However, faculty and staff salary levels at NTID are not mandated by the Rochester Institute of Technology. The sources of revenue, tuition levels, and budgets of the two institutions are different and separate. Salary levels are not the same and have differed over the history of their association. This is to be expected since the programs and staffing requirements are not the same at the two institutions. RIT is a full university that provides academic degrees up to the doctoral level. NTID is a technical school that provides degrees up to the associate degree level. While NTID students may take courses at the University and later matriculate into a university program, the staffing requirements are different. Classroom size, knowledge and skill levels, and course requirements are different at NTID. Tuition is also different. Students at RIT pay substantially more for their education than do students at NTID.

The Institute has several other priorities for which it would like increased funding. The next priority would be to add $600,000 for capital purchases to update equipment for instructional programs. The Institute also would like the Federal Government to give them $400,000 for repairs and renovations to NTID dormitories which they believe to be in need of repair.

The Institute has developed a proposal for a consortium of postsecondary programs serving the deaf. NTID requests $400,000 for the organization of this consortium in 1989. They estimate that the annual cost to the Federal Government of operating this program would be approximately $1.8 million in subsequent years.

NTID notes that in order to respond to a continuing decline in the number of students attending NTID attributed to the end of the rubella bulge, NTID plans to reduce an additional 30 FTE positions in fiscal year 1989, which will result in a saving of $600,000. All of these factors, taken together, would result in a budget of $34,500,000, which includes $297,000 for endowment matching funds.

The Department is concerned about the number of off-budget items for which NTID seeks funding. The request for funding of dormitory repairs and the proposed consortium were neither presented to nor approved by the Department. There has been no independent assessment of the need for these funds, and the Department was not given the opportunity to assess whether a 1988 supplemental or revision to our 1989 request is warranted. We recommend that no action be taken on these items until they are presented to and reviewed by the Department.

POSTSECONDARY CONSORTIUM

Question: You have requested $400,000 to start a consortium which will facilitate career development needs of deaf persons, in particular those who are not college bound. Please detail what opportunities you see this seed money providing this population.

Answer: NTID indicates that the intent of the seed money is to establish the organizational structure, orient and train the regional coordinators, and develop a five year master plan. The problem, structure, goals and strategies of the proposed consortium are detailed in a paper which NTID distributed to Congress entitled "A Career Development Educational Outreach Consortium." The purpose of the new program they propose is to facilitate the career development needs of unserved deaf people by developing and implementing outreach services to a wide variety of audiences, including, but not limited to, elementary through postsecondary programs, employers, vocational rehabilitation agencies, deaf adults, parents of deaf people, and the helping professions.

The request for funds for a consortium is premature and was not raised during the Department's budget process. The proposal is not fully developed, and there are a number of problems which must be considered and resolved prior to proceeding with a proposal in this area. For example, NTID's proposal does not make clear whether the Consortium would be performing research, providing recommendations, or providing direct services. If they are providing recommendations, it is not clear to whom they would be provided. There is no role planned for the Federal Government beyond funding of the proposal. The Departments of Education and Labor should play key roles in such a consortium and in the development of any proposal to establish new service programs. Any such body must include a major role for Federal programs such as Vocational Rehabilitation, Special Education, and the Jobs Training Partnership Act. The activities described in the proposal are also vague and overly ambitious. Questions such as the proper place to house the consortium and what authority the consortium would have to carry out its recommendations and implement programs have not been answered. In addition, the Commission on Education of the Deaf recommended a different plan to serve the same population as NTID proposes to serve in its proposal. All alternatives should be submitted to the Department of Education for review prior to Congress funding a new program in this area.

STAFF REDUCTIONS

Question: I understand that you have had to reduce your staff by 30 positions, thus saving NTID $600,000. How will this staff reduction affect the quality of education at NTID?

Answer: NTID does not believe the reductions will erode their educational programs in any way. These are staff that were added at the on-set of the rubella epidemic. It has been assumed that these positions would terminate as enrollments declined. NTID purposely added visiting faculty rather than permanent positions to accommodate the rubella students with the understanding that once these students were served, the services of these staff would be terminated. Enrollment began to decline after reaching a peak in 1984. NTID expects enrollment to stabilize at the 1,100 to 1,150 total level in one or two more years.

FUNDING FOR FISCAL YEAR 1989

Question: I understand that Rochester Institute of Technology mandates a 5.5 percent salary increase and a one percent benefit increase for all of its employees. To satisfy this requirement, NTID would need $1,400,000. How would you fulfill this requirement if you were not able to receive an increase in your Federal appropriation?

Answer: While the National Technical Institute for the Deaf (NTID) is not bound by the increases provided by the Rochester Institute of Technology, NTID treats these increases as built-in and has already signed a one-year contract at the new rate commencing July 1, 1988 and running through June 30, 1989, Rochester Institute of Technology's (RIT) academic year. The President's budget provides an overall increase of $1,437,000, of which $628,000 is designated for operations. The Institute may allocate the increase for operations according to its established priorities. In addition, NTID plans to reduce personnel by 30 positions, for a cost savings of $600,000.

QUESTIONS SUBMITTED BY SENATOR LOWELL P. WEICKER, JR.

FUNDING FOR FISCAL YEAR 1989

Question: The budget request of $33,031,000 before us today - was that your request to OMB? If not, what was the level you originally requested?

Answer: The Department's request to OMB, revised to reflect congressional action on the 1988 appropriation, was $33,691,000. It included $32,691,000 for operations and $1,000,000 for the Endowment Matching Grant program.

Question: What programs do you anticipate would suffer as a result of this reduced level?

Answer: The President's budget request for fiscal year 1989 included $33,031,000 for NTID for fiscal year 1989. This includes $32,031,000 for operations and $1,000,000 for endowment matching grant funds. The increase for operations is $628,000 above the level provided for 1988. NTID has great discretion to allocate funds designated for operations. There are always more projects and ideas available than can be funded within the fiscal year. NTID's primary priorities for additional funding are supplementary salary and benefit increases and purchases of capital equipment.

GALLAUDET UNIVERSITY

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

MAKING GALLAUDET RESEARCH MORE COMPETITIVE

Question: Dr. Jordan, the recent report by the Commission on the Education of the Deaf makes some recommendations about restructuring deafness-related research funding. The Commission suggests that some portion of Federal research funding be allocated to a center, which would establish research priorities with benefit of public comment and award research grants in a competitive peer review process. As I understand it, research funds are currently allocated directly to Gallaudet, which awards grants to its researchers without a competitive process.

I'm told Gallaudet opposes this recommendation, even though the Commission suggests the new center be located at the University.

Please tell us more about your concerns. I would think that if Gallaudet researchers are doing high-quality work, they would continue to receive much of the research funding. And wouldn't a competitive grant process improve the overall quality of deafness-related research?

Answer: The Department strongly concurs that great benefits can be obtained from open competition of funds. The result of maintaining current levels of support, but at the same time opening the competition to more researchers, would be to improve the breadth, quality, and impact of deafness research. However, the Department does not support the establishment of a National Center on Deafness Research within Gallaudet University. We recommend that Federal funds for research in deafness be managed by the Department of Education, through Office of Special Education and Rehabilitative Services components dealing with research, and not by a private institution which would be eligible for funding. The Federal Government has objective peer review procedures, which use experts in the field to review applications, that ensure fair and open competition. The University maintains an Office of Sponsored Programs whose staff have the primary function of locating potential funding sources and preparing competitive grant and contract applications. Gallaudet has competed very successfully for public and private educational research grants in the past, and we anticipate that they would continue to do so in the future.

Gallaudet objects to the Commission's recommendation calling for the establishment of a deafness research center at Gallaudet University because they believe it would disrupt their current research efforts and other educational functions of the University. They believe that additional funds should be appropriated to Federal agencies to enhance existing and future competitive grant and cooperative agreement programs.

Gallaudet also objects to the recommendation of the Commission that Gallaudet and NTID develop "concrete research plans and provide them for public comment by consumers and researchers. The projects should then be selected in conjunction with a program review process involving (principally) the best researchers in the field." They believe that the specific procedures in this recommendation, which emulate the Federal Register process, may infringe on the academic freedom of a normal university function. They contend that applied to directed research programs, the specific recommended procedures (public comment by consumers and researchers followed by project selection based on peer review) are unnecessary and cumbersome. They also feel that administration associated with the procedures would be costly and inefficient and cost-efficient external review would be difficult, given the diversity of Gallaudet research programs which include the following: Assessment and Demographic Studies, Auditory and Speech Science, Education and Human Development, Culture and Communication Studies, Genetic Services, Mental Health Research, Technology Assessment. In response to the Commission's concern regarding the need for public input in the development of the research agenda and selection of projects, Gallaudet is now reviewing its overall process for research project selection. Recently, the Gallaudet Research Institute appointed a subcommittee of its research directors to establish enhanced and cost-efficient procedures for external advisement.

The Department believes that the establishment of a subcommittee of Gallaudet research directors to establish procedures for external advisement is a step in the right direction, but insufficient to address the concerns of the Commission. The Commission cited the General Accounting Office which found that Gallaudet and NTID lack an oversight procedure for selecting, conducting, and monitoring research, development, and evaluation activities. "Although Gallaudet and NTID set general research priorities, decisions on research projects occur within the organization with little outside scrutiny." The Department believes that input from the field would help ensure that research conducted by these schools is topical, responds to the needs of the deaf, and is non-duplicative. Also, consistent with the Commission's recommendations related to the role of the Department, we believe the Department should review and comment on all workplans relating to research.

On a related matter, Gallaudet points out that externally funded research projects are screened and selected for funding according to stringent grant procedures of sponsoring Federal and private agencies. These projects are only awarded grant funds after critical evaluation and ranking through the peer review systems of agencies such as the National Institutes of Health and the Department of Education. Further, the review boards and institute councils of these agencies may include consumer representatives from interested constituency groups as members. While the Department agrees that this is true, we believe that this argument only supports the rationale for increasing the extent to which research funds related to deafness are subject to a rigorous review process.

OPERATING BUDGET

Question: Please provide a copy of the latest operating budget, including expenditures and sources of revenue, for Gallaudet University.

Answer: The attached table shows revenue and expenditures from the Gallaudet University Fiscal Year 1987 Audited Financial Statement.

Gallaudet University
SUMMARY OF CURRENT FUND REVENUES, EXPENSES, AND TRANSFERS
Year Ended September 30, 1987
(Dollars in Thousands)

REVENUES:	UNIVERSITY	MSSD	KDES	TOTAL
Student tuition and fees...........	$ 5,340			5,340
Federal appropriation	42,593	12,530	6,877	62,000
Federal grants and contracts..........	2,962			2,962

Gifts and private grants.............	444			444
Endowment income.....	377			377
Other interest income	396			396
Other sources........	1,412	35	18	1,465
Auxiliary enterprises	7,039			7,039
Total revenues.....	60,563	12,565	6,895	80,023
EXPENDITURES AND MANDATORY TRANSFER:				
Instruction..........	17,585	3,639	2,270	23,494
Sponsored research...	858			858
Other separately budgeted research..	2,078	406	294	2,778
Public services......	3,106	370	214	3,690
Academic support.....	5,284	1,133	419	6,836
Student services.....	6,218	2,597	1,173	9,988
Institutional support	9,961	1,877	1,331	13,169
Operation and maintenance of plant	4,100	2,356	1,157	7,613
Auxiliary enterprises	7,956			7,956
Total expenditures..	57,146	12,378	6,858	76,382
MANDATORY TRANSFER:				
Loan fund matching grant...............	5			5
EXCESS REVENUES (DEFICIT) OVER EXPENDITURES:				
Distribution of revenue excess.............	3,412	187	37	3,636
OTHER TRANSFERS AND ADDITIONS:				
Endowment income transferred to principal..........	(36)			(36)
Transfer to quasi-endowment fund.....	(139)			(139)
Transfer for plant renovations and maintenance........	(3,251)			(3,251)
Excess of restricted receipts over transfers to revenue	285			285
Net increase (decrease) in fund balance....	271	187	37	495

QUESTIONS SUBMITTED BY SENATOR TOM HARKIN

BUDGET INCREASE

Question: I understand that you are asking for a 5 percent increase. That sounds perfectly reasonable to me, especially since the University basically has not received an increase since fiscal year 1987. Please explain the basis for the increase.

Answer: The Department of Education is requesting a 2 percent increase for operations, or $1,225,000, for Gallaudet University and a $43,000 increase in the endowment appropriation. The increase would be primarily used to provide compensation improvements to faculty and staff. The University believes that the faculty and staff are the institution's most important assets. It recruits on a national basis in order to retain the most competent faculty and staff available. These faculty and staff members are qualified in their academic disciplines and also trained to meet the special needs of deaf students, clients and co-workers.

ADMINISTRATIVE STAFF SALARIES

Question: Deans and other administrators at Gallaudet are paid 27 percent lower than other administrators at local colleges. Support staff are paid 14 percent lower and professional staff are paid 16 percent lower. If you were to receive the 5 percent increase you request, will this increase put you at the higher end of the scale or at the average? How much of this increase is mandated by new federal retirement laws?

Answer: The figures you cite are projections made by Gallaudet of how University salaries would compare to selected local schools if no compensation improvements were given in fiscal year 1989. However, the Department is requesting an increase of 2 percent for general operations which would enable Gallaudet to increase salaries by at least that amount in 1989. In addition, the University is conducting a comprehensive review of programs in 1988 to determine if additional funds could be reallocated for compensation increases or new programs. Despite this, the University predicts that salaries would still be somewhat lower in comparison to area markets. Current salary ranges for staff are as follows:

Staff	Number of Employees	Annual Salary Range
Former President's Base Salary 1/	1	$90,000
Central Administration	6	58,046 - 75,960
Deans	9	45,686 - 62,650
Directors	34	29,870 - 67,650
Managers/Supervisors	42	23,500 - 54,760
Professional Staff	406	19,385 - 46,786
Secretarial and Office Support	149	13,700 - 30,519
Technical	140	14,838 - 33,196
Union	123	12,465 - 32,928

1/ Noninclusive of housing, transportation, benefits, and deferred compensation.

The University projects that the new Federal retirement system will cost an additional $1.6 million in fiscal year 1988.

INTERPRETER SERVICES

Question: How much of your budget is used to pay for interpreter services?

Answer: In fiscal year 1987, $554,000 was spent on interpreter services. The projection for fiscal year 1988 is approximately $700,000.

FUTURE PLANS

Question: If Congress were to increase your appropriations by more than 5 percent, how would you spend the additional money?

Answer: If the University were to receive funds in excess of the Department's request for a 2 percent increase, they would make additional compensation improvements and fund new programs. These include a new Ph.D. program in Clinical Psychology and a Master's of Social Work Program, each of which would cost $250,000, and expansions to the new School of Management which would cost $150,000. In recent years, Gallaudet University has placed increasing emphasis on training professionals to serve deaf people in the areas of mental health and social services. A lack of freedom of communication between the deaf client and the professional has been the major obstacle to high quality service and care. Gallaudet would like to help remedy this situation in the areas of social work and clinical psychology by establishing these two new graduate programs. A major problem hindering program development in the past has been the perception that since the deaf population is relatively small and widely dispersed, professionals trained to work specifically with deaf clients would be hard pressed to establish a sufficient deaf client base for a successful practice. Accordingly, the new Gallaudet programs will lead to certification of graduates of these programs as general practitioners in their fields, but with a speciality in deafness. Gallaudet has also recently established a School of Management which provides administrative training for undergraduates. The School will include the first Entrepreneurial Studies program in the area. Initial funding for faculty and staff has come from consolidation of some existing programs and through reallocations. Additional funding would be used to expand the program to meet emerging needs. If funds became available for the additional programs, Gallaudet predicts that annual costs would be held constant for the next three fiscal years.

QUESTION SUBMITTED BY SENATOR LOWELL P. WEICKER, JR.

FUNDING FOR FISCAL YEAR 1989

Question: Dr. Jordan, we welcome you to your first appearance before the Subcommittee and look forward to many years of working with you in your new capacity as President of Gallaudet. I'd just like to ask you about the adequacy of the budget request before the Subcommittee. Is the amount before us the original request submitted to OMB by Gallaudet? If not, what was the request and which programs might suffer as a result, if the official budget request is insufficient to meet Gallaudet's needs for fiscal year 1989?

Answer: The Department's request to OMB, revised to reflect congressional action on the 1988 appropriation, was $64,749,000. This included $1,000,000 for the Endowment Matching Grant program. The University has great discretion to allocate funds designated for operations. Gallaudet has indicated that its primary priority for additional funding would be supplementary salary and benefit increases for faculty and staff.

SUBCOMMITTEE RECESS

Senator CHILES. Senator Harkin is chairing the Agricultural Subcommittee, and he wanted to be here very much. And he would appreciate it, Dr. Jordan, if you would tell us why Gallaudet only asked for a 2-percent increase over the 1988 funding. And I'm going to let you give that answer for the record. I'm going to miss this vote if I don't leave.

And I thank you all very much for your attendance.

The subcommittee will be in recess until Tuesday, May 17.

[Whereupon, at 11:40 a.m., Thursday, May 12, the subcommittee was recessed, to reconvene at 9:30 a.m., Tuesday, May 17.]

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